

Albania	... 10.15	Belarus	... Pts 7500	Portugal	... Pts 65
Bahrain	... Dhs 0.85	Bolivia	... 1.100	S. Africa	... Dhs 5.00
Barbados	... 1.100	Bulgaria	... 1.000	Bulgaria	... \$3.410
Belarus	... Pts 7500	Burkina Faso	... 1.000	Cambodia	... Pts 100
Bosnia	... KM 5.00	Burundi	... 1.000	Cameroon	... KM 5.00
Bulgaria	... Dhs 0.85	Cambodia	... 2.100	Central African Rep.	... KM 5.00
Croatia	... KM 5.00	Chad	... 1.000	Chad	... KM 5.00
Cyprus	... KM 5.00	Colombia	... KM 5.00	Chile	... KM 5.00
Denmark	... Dkr 7.00	Cote d'Ivoire	... KM 5.00	China	... KM 5.00
Egypt	... ECU 7.00	Djibouti	... KM 5.00	China	... KM 5.00
Falkland Is.	... KM 5.00	Greece	... KM 5.00	China	... KM 5.00
Finland	... KM 5.00	Honduras	... KM 5.00	China	... KM 5.00
France	... Frs 5.50	Iceland	... KM 5.00	China	... KM 5.00
Germany	... DM 1.00	India	... KM 5.00	China	... KM 5.00
Greece	... Dr 0.85	Indonesia	... Rup 2.50	China	... KM 5.00
Guinea	... KM 5.00	Iran	... KM 5.00	China	... KM 5.00
Hong Kong	... HK\$ 12	Iraq	... KM 5.00	China	... KM 5.00
Iceland	... KM 5.00	Ireland	... KM 5.00	China	... KM 5.00
India	... Ru 15.	Italy	... KM 5.00	China	... KM 5.00
Indonesia	... KM 5.00	Jordan	... KM 5.00	China	... KM 5.00
Iraq	... KM 5.00	Kuwait	... KM 5.00	China	... KM 5.00
Ireland	... KM 5.00	Liberia	... KM 5.00	China	... KM 5.00
Italy	... KM 5.00	Malta	... KM 5.00	China	... KM 5.00
Japan	... Yen 7.00	Morocco	... KM 5.00	China	... KM 5.00
Lebanon	... KM 5.00	Mexico	... Pes 200	China	... KM 5.00
Malta	... KM 5.00	Nicaragua	... KM 5.00	China	... KM 5.00
Morocco	... KM 5.00	Pakistan	... KM 5.00	China	... KM 5.00
Myanmar	... KM 5.00	Panama	... KM 5.00	China	... KM 5.00
Namibia	... KM 5.00	Peru	... KM 5.00	China	... KM 5.00
Niger	... KM 5.00	Philippines	... KM 5.00	China	... KM 5.00
Nigeria	... KM 5.00	Poland	... KM 5.00	China	... KM 5.00
Oman	... KM 5.00	Portugal	... KM 5.00	China	... KM 5.00
Pakistan	... KM 5.00	Romania	... KM 5.00	China	... KM 5.00
Papua New Guinea	... KM 5.00	Russia	... KM 5.00	China	... KM 5.00
Paraguay	... KM 5.00	Rwanda	... KM 5.00	China	... KM 5.00
Peru	... KM 5.00	Saudi Arabia	... KM 5.00	China	... KM 5.00
Philippines	... KM 5.00	Singapore	... KM 5.00	China	... KM 5.00
Poland	... KM 5.00	Sri Lanka	... KM 5.00	China	... KM 5.00
Portugal	... KM 5.00	Tunisia	... KM 5.00	China	... KM 5.00
Romania	... KM 5.00	Uganda	... KM 5.00	China	... KM 5.00
Russia	... KM 5.00	Yugoslavia	... KM 5.00	China	... KM 5.00
Saudi Arabia	... KM 5.00	Zambia	... KM 5.00	China	... KM 5.00
Singapore	... KM 5.00	Zimbabwe	... KM 5.00	China	... KM 5.00
Sri Lanka	... KM 5.00			China	... KM 5.00
Tunisia	... KM 5.00			China	... KM 5.00
Uganda	... KM 5.00			China	... KM 5.00
Zambia	... KM 5.00			China	... KM 5.00
Zimbabwe	... KM 5.00			China	... KM 5.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

Monday December 5 1983

D 8523 B

NEWS SUMMARY

GENERAL

Nato ministers plan new initiative

Nato ministers this week will focus their attention on moves to improve East-West relations, on a "friends with dialogue" theme.

Defence and foreign ministers will meet in Brussels for the first time since new US nuclear missiles arrived in Europe and since the Soviet Union walked out of talks in Geneva on medium-range arms control. Today, the group of 11 European defence ministers will meet. All 13 defence ministers in Nato's integrated structure are to meet tomorrow and on Wednesday, and 16 foreign ministers, including those of France, Iceland and Spain, on Thursday and Friday.

Britain's former Foreign Secretary, Lord Carrington, is expected to be named to succeed Dr Joseph Luns as Nato secretary-general. Page 20

Vatican mediation

Secretary of State Cardinal Agostino Casaroli said the Vatican wanted to mediate between the US and the Soviet Union on reviving talks on limitation of medium-range nuclear arms in Europe.

Release plea

John Paul appealed for the release of Colombian President Belisario Betancur's brother Jaime, kidnapped by Left-wing guerrillas last month.

Iran claims success

Iran said its forces repelled an Iraqi offensive in the northern sector of the Gulf war front and denied Iraqi charges that it had bombarded civilian areas in Iraq.

New Soviet deal

Soviet leaders called for speedier introduction of the "team contract" system, to make workers' wages depend more closely on performance.

Dutch go-slow ends

Dutch railway unions called off their seven-week campaign of strikes and go-slows against cuts in public-sector wages because other workers had started working normally and it was no longer effective.

Papandreu protest

Greek Premier Andreas Papandreu has written to Soviet leader Yuri Andropov, criticising Soviet plans to increase deployment of land and sea-based nuclear weapons systems to counter US installation of Pershing and cruise missiles in Western Europe. A West German source of Chancellor Helmut Kohl said Mr Andropov was in better health and would probably be back at his Kremlin desk in a week.

Newspaper banned

Military rulers in Turkey banned indefinitely the publication of the country's best-selling newspaper, *Hürriyet*.

Two shot in Ulster

British security forces shot dead two armed men at Coalisland, Ulster, who failed to answer a challenge.

Space 'hams' talk

US astronaut Owen Garriott, passing over the Middle East in space shuttle Columbia, had a talk with King Hussein of Jordan, a fellow radio "ham" in Amman.

Briefly...

Pere Prado, 57, Cuban-born band leader, died in Milan.

Golf Seviano Ballesones (Spain) took his richest prize, \$200,000, for winning the Sun City Challenge tournament in Bophuthatswana, South Africa, on 24.

BUSINESS

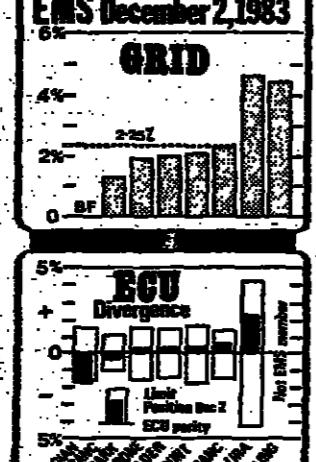
Rumasa seizure 'narrowly backed'

• SPANISH Government seizure of the heavily indebted Rumasa group was declared constitutional on the vote of the tribunal president, even if it had divided six-six, according to a Madrid report yesterday.

• CHINA'S foreign exchange reserves were \$140bn at the end of September, 52 per cent up on a year before, and rising at the rate of more than \$1bn a quarter, according to Bank of China figures.

• THE BELGIAN franc remained depressed within the European Monetary System last week. It was

• GRID



against its divergence limit and again the weakest member.

There was no heavy pressure however, with the Belgian central bank able to reduce its level of intervention in the foreign exchange market from the week before. That was partly a reflection of the recent 1-point increase in the Belgian discount rate to 10 per cent.

The French franc was the strongest currency bound by the 2½ per cent limit. That was despite a fall in French interest rates, as the authorities took advantage of renewed confidence in the French franc.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no more than 2½ per cent divergence is allowed. The lower grid shows such currency's divergence from its central rate against the European Currency Unit (ECU), itself a basket of European currencies.

• LLOYD'S OF LONDON, the international insurance market, should make substantial changes in its business practices, according to an internal report. Page 27

• ELDERS-IKL of Australia launched an AS972m (US\$885m) counter bid for Carlton and United Breweries, the country's biggest brewer.

• QUEENSLAND is hoping to persuade a foreign car maker to take over a Brisbane plant due to close next year. Page 2.

• DALLAS auctioneers Jim Davis today start a three-day sale in Chelsea, London, selling oilfield equipment, the main items being a \$1m rig owned by French company Forus Neptune, lying off Port Harcourt, Nigeria.

• BRITISH NUCLEAR FUELS is building a £1.2bn (\$1.75bn) reprocessing plant in Cumbria, north England, is talking to its customers about charging some 30 per cent more for reprocessing spent nuclear fuel. Page 11.

• AEG-TELEFUNKEN, the struggling West German electricals group, says it is making progress on the way back to profitability. Page 22.

• AGIP, the Italian state-owned oil company, has concluded a deal with China to explore for oil in the South China Sea. Page 3.

• RHÔNE-POULENC, the nationalised French chemicals and textiles group, has made changes in its management. Page 22.

Reagan warns of further 'defensive' raids on Syrians

By REGINALD DALE, U.S. EDITOR, IN WASHINGTON

The Reagan Administration yesterday insisted that its air strike against Syrian positions in Lebanon was purely defensive and not part of a plan "to push Syria out of Lebanon."

The assertion came mid-way through a day of intense clashes involving the US forces, with missiles later last night under rocket and artillery attack around Beirut airport. Ships of the US Sixth Fleet went into action to return the shell fire.

The Lebanese Army and Druze militiamen were meanwhile locked in an artillery bombardment in the nearby Chouf mountains.

Earlier, 28 US Navy bombers struck at Syrian anti-aircraft batteries in eastern Lebanon, losing two aircraft, in the first such confrontation with Soviet-backed Syrian troops since US marines were sent to Beirut 18 months ago.

President Ronald Reagan, who personally authorised the raid, said that he did not want a military confrontation with Syria, but he made clear that the US would respond again if its forces were attacked. The State Department defended that two U.S. jets, an A-7 Corsair and an A-6 Intruder, were shot down in the raid.

Mr Reagan said that yesterday's air strike was not co-ordinated with Israel. The US had not known in advance about Israel's air strikes on Saturday and had not forewarned Israel about yesterday's U.S. raid, he said.

In Jerusalem, an Israeli Cabinet spokesman denied that there was a concerted military raid against Syria.

Mr Lawrence Eagleburger, the Under-Secretary for State for Political Affairs, said the US strike had been launched after American reconnaissance flights came under heavy Syrian anti-aircraft fire on Saturday. The US raid "took out" a Syrian command and control centre and two other sites that had fired against the U.S. reconnaissance aircraft, he said.

Mr Eagleburger insisted that the action was not a consequence of last week's new US-Israeli political and military co-operation agreement. Syria had been warned "earlier" that if it fired on American aircraft, the US would defend itself, he said.

"If we do not get shot at, we will not fire at them," Mr Eagleburger added. He insisted that the US was not preparing to go to war against Syria. Mr Caspar Weinberger, US Defence Secretary, warned in Paris last night that there could be further air strikes, however.

Mr Eagleburger accepted that the US had to be careful, given Syria's military alliance with the Soviet Union. But he said that U.S. interests could not be "totally dominated" by the closeness of the Soviet-Syrian relationship.

Following the visit to Washington last week of President Amin Minawi of Lebanon, the Administration has pledged to step up military and economic aid to his government.

How U.S. options ran out, Page 2; Air strikes "not part of pac," Page 2

Thatcher stresses fair EEC budget

By John Wyles and Paul Cheeswright in Athens

ONE of the most crucial summits ever of the European Community opened in Athens yesterday with a stern lecture from Mrs Margaret Thatcher, the British Prime Minister, to the European Council.

Mr Thatcher, sought to reassure the miners' unions and the Communist Party at the weekend by saying the Government had not yet decided the fate of the French coal industry and that it would "finalise" its coal programme in January.

Projecting herself as a Community stateswoman anxious for agreement which "would be fair to us all," Mrs Thatcher emphasised that "viewed in the wider perspective of East-West relations, the budget must be fair to all."

While not denying proposals to shed up to 8,000 jobs next year, CDF emphasised that it had not yet finalised its own restructuring programme, due to be reviewed by the CDF board later this month.

Saudi Arabia urged Syria to abstain from any military measure against the U.S. fleet offshore, according to diplomats in Damascus.

Mr Reagan said the American reconnaissance flights over Lebanon were vital to the U.S. marine peace-keeping presence in Beirut and that the flights would continue.

Mr Reagan said the American reconnaissance flights over Lebanon were vital to the U.S. marine peace-keeping presence in Beirut and that the flights would continue

OVERSEAS NEWS

Israel says air strikes not part of U.S. accord

BY DAVID LENNON IN TEL AVIV

ISRAEL agreed in Washington with the U.S. last week to apply pressure on Syria to withdraw its forces from Lebanon, foreign ministry officials said in Jerusalem yesterday.

However, they denied that the weekend air strikes by Israeli and U.S. warplanes against targets inside the Syrian-controlled sector of Lebanon were a co-ordinated part of this new pressure.

The officials insisted that the agreement reached in talks between Mr Vitale Shamir, the Prime Minister, and President Ronald Reagan referred only to political pressure on Syria.

But Mr Shamir, who said on his return here that both governments are agreed that Syria is the main obstacle to peace and stability in Lebanon, did not rule out military action. He simply said that both

countries "preferred" to employ peaceful means to resolve the problems in Lebanon.

Despite official denials, there was growing concern within opposition circles in Israel that the two governments have indeed agreed on an intensification of military pressure on Syria in Lebanon, and apprehension that this could lead to a dangerous rise of the tensions in the region.

Mr Abba Eban, a former Labour party foreign minister, said there were increasing rumours of a secret alliance which had a warlike significance, and called for an urgent Knesset debate on the agreements reached with Washington.

Mr Dan Meridor, the cabinet secretary, insisted yesterday that there was no such secret agreement. Speaking after the weekly

cabinet meeting, he also denied that yesterday's U.S. air strike against Syrian targets in Lebanon, and the previous day's Israeli air attack, had been co-ordinated.

However, he did admit that "the Israeli air force and the U.S. Navy talk to each other to make sure there are no mishaps." As Israel treats Lebanese air space as its own, it would indeed be unlikely that the U.S. planes would have made their raid without first informing Israel of the plan.

The facts that the Israeli air strike against Syrian-backed guerrillas and Druse came the day after Mr Shamir returned from Washington, and that the U.S. launched its first-ever air raid in Lebanon a day later, has inevitably fuelled speculation here.

Cairo says pact hinders peace

BY CHARLES RICHARDS IN CAIRO

THE EGYPTIAN president Hosni Mubarak has expressed grave misgivings about the strategic co-operation agreement recently signed between the U.S. and Israel.

It would, he said, be an obstacle to peace in the region and further anger Arab moderates.

Egyptian officials are dismayed that the U.S. should have come down so hotly on the side of Israel thus upsetting the regional balance and preventing the U.S. from playing its supposed role as full

partner in the peace process and "honest broker" between Israel and the Arab states.

They are especially horrified that the U.S. should be making such a gesture in an apparent attempt to counter what Washington perceives as excessive and increasing Soviet influence in Syria at a time when Israeli forces remain in Lebanon.

This apparent rewarding of Israel thus upsetting the regional balance and preventing the U.S. from playing its supposed role as full

ing it harder for Arab moderates like King Hussein of Jordan to convince radical critics of the benefit of peace negotiations on the basis of President Ronald Reagan's peace proposals.

The U.S.-Israeli accord was signed after President Mubarak, in his first meeting with President Reagan's new special Middle East envoy, Mr Donald Rumsfeld in Cairo last month, warned against the dangers of such a step.

Robert King writes from Taipei.

Venezuela goes to the polls

NEARLY 7.8m Venezuelan voters went to the polls yesterday to choose a new president, Congress and state legislators for the next five years, Kim Foad reports from Caracas.

No official returns were expected until late last night but opinion polls have given an edge to Sr Jaime Lusinchi of the social democratic Accion Democratica party over former President Rafael Caldera, of the Christian Democrat Copei party.

Ten other candidates, on the left and right of the main centrist candidates are expected to collect only around 20 per cent of ballots cast.

Labor setback in Australia

THE Australian Labor Party (ALP) suffered a humiliating defeat in Saturday's state election in the Northern Territory, which underscores the damage Labor has inflicted on itself with its partial ban on uranium mining. Michael Thompson-Noel writes from Sydney.

The poll saw a big swing to the ruling Country Liberal Party of Mr Paul Everingham, the territory's Chief Minister.

Taiwan landslide

TAIWAN'S ruling Nationalist Party scored a landslide victory over opposition and independent candidates during the supplementary legislative elections on Saturday, taking 62 of the 71 seats available, Robert King writes from Taipei.

Tribunal 'sanctions takeover of Rumasa'

BY DAVID WHITE IN MADRID

SPAIN'S Socialist Government has obtained a favourable verdict from the constitutional tribunal over the Rumasa affair by a neck-and-neck vote finally decided by the casting vote of the court's president, El Pais, the leading Spanish newspaper, reported yesterday.

The tribunal, whose decision on the case has been delayed for several weeks, voted on Thursday last week but was not due to announce its verdict until later.

According to the newspaper, which quoted "absolutely reliable sources," the court's 12 members were evenly divided about whether the Government's decree expropriating the Rumasa business group in February, was allowable under Spain's 1978 constitution.

Members of the right-wing Alian-

za Popular opposition lodged an appeal with the courts shortly after the decree, under which the Government seized all of Rumasa's holdings, including 18 banks and some 200 industrial companies. Two more banks and other companies were later established as having been acquired secretly by the group.

The opposition refrained however from referring to the tribunal a subsequent law passed by parliament in late June and confirming the expropriation measures.

In the interim, the public controversy over the takeover procedure has been mitigated by the disclosure of audited figures revealing the true financial state of the group, and by the progress of a court case against the former chair-

man, Sr Jose Maria Ruiz-Mateos, now in London.

The audit, commissioned by the Government and carried out by Arthur Andersen, showed Rumasa to have a negative net worth of \$1.27bn (\$1.67bn).

Sr Ruiz-Mateos is charged with accounting fraud, currency, tax and social security offences.

The newspaper says the court had found that the measure corresponded to the condition of "extraordinary and urgent need" laid down in the constitution and that it did not infringe the fundamental right to property. The six dissenting judges are due to publish their conclusions as an annex to the final vote.

If it is confirmed, the court's technical majority verdict will come as a considerable relief to the Gonzalez Government, which had put a good deal of its credibility at stake on the Rumasa takeover.

The Government has maintained that it needed to take drastic action in order to avoid a major financial crash which would have affected Spain's international credit rating.

The authorities argue that they could not simply have intervened in the banking side of Rumasa because the banks were heavily exposed to companies within the group.

In an interview at the weekend, Sr Miguel Boyer, the Economy Minister, said the standard procedure for dealing with bank crises via the semi-state Deposit Guaranteed Fund would have proved more costly.

W. German output rise predicted

By James Buchan in Bonn

OUTPUT from West Germany's manufacturing industry should rise by an inflation-adjusted 3 per cent next year after a rise of just under 1 per cent for this year, according to IFO, the Munich-based economic research institute.

The institute's latest survey of business opinion, taken in October and published today, shows industrialists more optimistic about foreign demand in the coming months. IFO even notes a slight improvement in the troubled capital goods sector.

Chaban-Delmas edges hat into ring

BY PAUL BETTS IN PARIS

M JACQUES Chaban-Delmas, the former French Prime Minister under President Georges Pompidou, has provided an intriguing new twist to the political scene in France.

By suggesting at the weekend that he would be willing to head a government if President Francois Mitterrand asked him to become Prime Minister, the 68-year-old mayor of Bordeaux made what was tantamount in a discreet political comeback on the national scene.

The comeback took the form of a long appearance on French television and an interview in the "Journal du Dimanche" in which the former Prime Minister and unsuccessful 1974 presidential candidate said

"until he is dead, no politician is finished."

On the assumption that the Socialists lost their parliamentary majority in the 1986 French legislative elections and President Mitterrand called on him to form a government, M Chaban-Delmas said he would accept although his government would carry out policies different from those of President Mitterrand.

The idea of "cohabitation" (a Socialist President without a parliamentary majority calling on a member of the opposition to form a government) has been gaining ground in France following the decline in popularity of the left.

M Chaban-Delmas offers other political advantages to President Mitterrand. As an eventual "fourth man," he could further disrupt the competition for leadership in the opposition.

But as a Socialist senator remarked at the weekend, the eventual return of M Chaban-Delmas on the national scene hinged on the belief that the left would lose the 1986 elections; an assumption the left is clearly not prepared to make.

Indeed, despite the left's recent string of defeats at local polls, President Mitterrand's standing in public opinion polls has been rising again last week. This recovery appears to be largely due to his successful television appearance on foreign policy issues last month.

When you've seen one Dutch Decision Maker you've seen them all...



After the morning mail has arrived, most Dutch business leaders look alike. They'll be reading "Het Financieele Dagblad", Holland's business daily.

It's the one paper they cannot afford to miss for the latest economic, financial and political developments.

So if Holland is part of your market and you want to reach the local top executives, fill out the coupon.

We'll send you a complimentary copy of the Important Decision Makers Survey and our current rate card. It will show you that communicating through "Het Financieele Dagblad" is as high as you can reach in the Low Countries.

Yes, I want to see how Dutch Decision Makers look alike. Please send me the I.D.M. survey and your rate card.

Name _____

Title _____

Company _____

Address _____

Postal code/City _____

Country _____

Mail this coupon to: Het Financieele Dagblad, International Department, Postbus 23, 2513 AD The Hague, The Netherlands.

HET FINANCIËLE DAGBLAD

The business daily of Holland

This announcement appears as a matter of record only.

KEANG NAM ENTERPRISES, LTD.
ENGINEERS & CONTRACTORS

US\$180,790,000

Syndicated Guarantee
and
Working Capital Facilities
for

National Guard Staff Housing Project
Dirab, Kingdom of Saudi Arabia

Lead Managers

CITICORP CAPITAL MARKETS GROUP
BANK OF BAHRAIN AND KUWAIT B.S.C.
KUWAIT FOREIGN TRADING CONTRACTING &
INVESTMENT CO. (K.F.T.C.I.C.)/ASIAN OCEANIC GROUP
WARDLEY LIMITED

Manager
THE GULF BANK K.S.C.
KUWAIT

Co-Manager
CREDIT LYONNAIS/GULF RIYAD BANK E.C.
SEOUL BRANCH

Provided by

KEB (ASIA) FINANCE LIMITED
UNION BANK OF THE MIDDLE EAST LTD.
KUWAIT FOREIGN TRADING CONTRACTING &
INVESTMENT CO. (K.F.T.C.I.C.)
CREDIT LYONNAIS
SEUL BRANCH
KUWAIT INTERNATIONAL INVESTMENT CO. S.A.L.
BALE (MIDDLE EAST) E.C.
BAHRAIN MIDDLE EAST BANK (BMB)
SAUDI EUROPEAN BANK S.A.L. BAHRAIN BRANCH
SAUDI AMERICAN BANK

Issuing Bank

KOREA EXCHANGE BANK

General Agent

ASIA PACIFIC CAPITAL CORPORATION LIMITED
(Member Citicorp Capital Markets Group)

October, 1983

TWA to and through the USA

Chicago daily.*

Direct 747 service every day* from Heathrow, departing 11.00, arriving Chicago 13.35.

TWA also flies to over 50 US cities.

See your TWA Main Agent.

You're going to like us

See your
TWA
Main Agent

*except Tues.

TWA

WORLD TRADE NEWS

U.S. cracks down on Third World steel imports

BY STEWART FLEMING IN WASHINGTON

WASHINGTON has once again brought their exports to the U.S. under control, the newly-industrialised countries (NICs) lobbying on behalf of the U.S. carbon steel industry. The lobbying this time is focused on steel imports from Third World countries and there are fears that the carefully-crafted export licensing agreement reached last year with the European Community could be overturned in the struggle against these competing exporters.

The EEC licensing agreement, in the words of one Reagan Administration official, has "worked beautifully" in the 12 months since it came into effect—U.S. steel imports from the Common Market are down over one-third to just under 5m tons in the first eight months of the year. Imports from industrialised developing countries such as Brazil and Mexico are now the prime target.

Last month U.S. Steel, the country's largest producer, lodged actions alleging unfair trade practices against Mexico, Brazil and Argentina, and threatened to act against other countries. Over 20 complaints are pending, industry officials say.

The industry concern is based on the fact that, whereas the EEC countries and Japan have

U.S. STEEL IMPORTS				
	(m tons)	(% of share)	Other*	Total
Japan	5.3 (49.6)	4.1 (34.3)	1.9 (8.7)	12.0
EEC	7.98 (75.9)	3.2 (22.3)	1.8 (14.2)	14.3
1976	7.98 (49.5)	6.8 (35.4)	2.2 (14.2)	19.3
1977	7.8 (30.7)	7.5 (35.3)	4.8 (22.2)	21.1
1978	6.5 (34.2)	5.4 (30.9)	2.4 (19.5)	17.5
1979	6.3 (34.2)	3.9 (25.1)	2.1 (15.8)	15.5
1980	6.0 (38.8)	3.4 (25.1)	2.1 (15.8)	17.5
1981	6.2 (31.3)	6.4 (32.6)	4.3 (21.6)	19.9
1982†	4.6 (32.0)	4.7 (32.8)	3.4 (23.7)	14.3
1983‡	3.2 (22.7)	3.2 (30.5)	5.2 (30.5)	13.5

* Mainly newly-industrialised countries, excluding Canada, which had an 11.1 per cent market share in 1982.
† First 10 months.

Source: American Iron and Steel Institute

tions against some EEC products. One reason for the move to curb the imports is a desire to "nip them in the bud" before the U.S. industry sees even more damage is done.

Steel imports from newly-industrialising countries are not the only threat to the export arrangements between the U.S. and its western competitors.

Gilmour Steel, a small West Coast manufacturer, has directly challenged the EEC/U.S. agreement by filing dumping ac-

tionist sentiment. "Around February, a lot of those Congressmen will be going into the steel companies and asking for election campaign donations," he pointed out.

Among the forces pushing the industry to seek protection are its poor profitability and weak competitive condition which led to serious losses in 1982.

Mr Peter Anker, an analyst with investment bankers First Boston, says that the industry has taken a "turn for the better" this year. Several companies have returned to the black and even U.S. Steel is projecting a profit on steel for 1984. But earnings seem likely to remain "at low level" Mr Anker suggests.

Scepticism about whether protection will provide a solution to these problems remains however. Mr Charles Bradford, a steel industry analyst with Merrill Lynch commented recently: "Should the industry get real protection from imported steel we believe that the move towards greater steelmaking efficiency would be slowed, if not halted. It might very well dry up the (companies') sources of capital due to fear about the competitiveness of the industry whenever protection should end."

This action may not be successful however for the company needs the support of its peers to press its case and companies such as U.S. Steel and Arcelor have reportedly told the Commerce Department that they do not back the Gilmour case.

But the industry has not dismissed its concern about U.S. Steel's proposal to import uncoated slabs from the British Steel Corporation—a move which officials in Washington warn could also force a break-

through in the EEC/U.S. licensing agreement.

Equally worrying are the hints from the giant Bethlehem Steel that it may file a complaint under the 1974 Trade Act aimed at securing quotas on all imports, which could provoke the EEC into abrogating its licensing agreement. Bethlehem would have to demonstrate "serious injury" to the U.S. industry, a tougher test than the normal "material injury" to succeed and would need Administration support.

The President can take into account broad political and economic considerations in deciding whether or not to take action to support the company, although at this moment it is thought unlikely to back the company, an election year may make a difference.

A clearer picture of the political mood could emerge during the progress of a Bill backed by the Congressional steel caucus. The Bill would put a 15 per cent quota on steel imports, which reflects the industry's concern that the share of imports in the U.S. market is rising and could hit 20 per cent this year.

As one industry observer pointed out, politics play a large part in the revival of protec-

Queensland woos foreign carmakers

By Michael Thompson-Noel
in Sydney

DUNLOP and rivals Pirelli are taking cautious steps to introduce radials to the 3.2m units a year European motor-cycle tyre market.

The advent of radial car tyres in the 1960s and 1970s replacing the traditional cross-ply and possessing much longer wear life, was the key factor leading to substantial tyre-making over-capacity from which the European industry is still trying to recover.

However, the move by Mr John Bjelke-Petersen's state Government would depend on persuading Canberra to relax its complex quotas and tariffs regime, aimed at restricting imports to approximately 20 per cent of Australian car sales.

Those approached by the Queensland Premier include BMW of Germany, which claims to have usurped Mercedes-Benz and Volvo as Australia's leading prestige car importer.

GMC, the troubled Australian subsidiary of General Motors of the U.S., recently surrendered market leadership to Ford Australia, and in 1982 lost A\$135m (£84m).

In Brisbane, a spokesman for the Premier said yesterday that Mr Bjelke-Petersen had approached car makers in Europe, Japan and South Korea, offering "all possible help" at Acacia Ridge.

BMW expressed firm interest. However, there are inherent difficulties with the Canberra Government's car industry policy. There is also no love lost between the Hawke Labor Government in Canberra and Mr E. Bjelke-Petersen's eccentric National Party regime in Brisbane.

If anything, Mr Hawke's Government is proving even more protectionist than its predecessor. Mr Malcolm Fraser's Liberal-National Party coalition.

Radial tyre plan for motorcycles

By John Griffiths

DUNLOP and rivals Pirelli are taking cautious steps to introduce radials to the 3.2m units a year European motor-cycle tyre market.

The advent of radial car tyres in the 1960s and 1970s replacing the traditional cross-ply and possessing much longer wear life, was the key factor leading to substantial tyre-making over-capacity from which the European industry is still trying to recover.

Yet both Dunlop and Pirelli are exhibiting radials at the current Milan Motorcycle Show. Both say that the application of such tyres on motorcycles should be limited, mainly to the very high performance motorcycle market where power output and weight are important. Tyre's life can be as short as 900-1,000 miles if a very powerful machine is ridden hard.

The incentive for both companies is promotional: the motorcycle market is mainly the province of enthusiasts, tending to be more sophisticated about product than the typical car buyer. In a highly competitive market, both Dunlop and Pirelli appear to believe that the image boost from high performance, but limited production, radials is a worthwhile exercise.

Dunlop's belief that neither company is taking commercial risk—that is introduction of radials on a large scale could lead to over-capacity in the motorcycle tier sector as it has in cars—is based on the current structure of the motorcycle market.

According to Mr Alan Joseph, Dunlop's European product manager, motorcycle radials will cost twice as much as cross-plies to produce for a gain in tyre life of about 25 per cent, compared with up to 100 per cent for cars.

AGIP signs Chinese offshore oil search deal

BY ALAN FRIEDMAN IN ROME

AGIP, the oil company owned by Italy's ENI state holding group, has concluded a deal with the Chinese Government to explore for oil offshore in the South China Sea. The contract to search for oil in an area covering 3,180 sq km follows a visit to Peking by Professor Franco Reviglio, president of ENI, and Dr Bruno Cimino, President of AGIP. The exploration contract marks the first time AGIP has

SHIPPING REPORT
Listless week for tankers as Gulf war slows

UK exports to Saudi Arabia rise

BY FINNAN BARRE IN RIYADH

UK EXPORTS to Saudi Arabia have risen 13 per cent for the first three quarters of 1983, Mr Norman Tebbit, Secretary for Trade and Industry said yesterday during his visit to the Kingdom. The improved figures indicated that the slump in British exports to Saudi Arabia had ended, he said.

Saudi Arabia is the UK's principal Middle Eastern trading partner, and its fourth most important overall.

Improved British competitiveness and a shift in Saudi Arabia from heavy infrastructure projects will help UK business, Mr Tebbit said.

The fourth economic development plan would require more service industries, an area in

World Economic Indicators

UNEMPLOYMENT					
UK	Nov '82	Oct '83	Sept '83	Nov '82	Oct '83
UK	3,084.4	3,040.0	3,167.0	3,042.0	3,042.0
%	12.9	12.0	11.3	12.8	12.8
W. Germany	900.0	2,147.7	2,134.1	2,196.2	1,920.0
%	9.2	8.6	7.9	8.1	7.1
U.S.	9,981.0	10,423.0	10,699.0	11,576.0	10,699.0
%	10.2	10.3	9.3	9.5	10.5
France	800.0	2,165.0	2,057.4	1,934.0	1,920.0
%	9.5	9.5	8.5	9.5	9.5
Belgium	1,027.7	1,014.0	1,012.0	1,012.0	1,012.0
%	15.3	15.4	15.4	14.9	14.9
Netherlands	800.0	1,147.0	1,125.0	1,125.0	1,125.0
%	12.8	14.3	13.0	12.7	12.7
Italy	8,916.0	8,597.0	2,604.5	2,699.5	2,699.5
%	12.1	11.5	11.5	11.1	11.1
Japan	1,572.8	1,450.0	1,438.4	1,390.0	1,390.0
%	2.6	2.3	2.8	2.5	2.5

Source (except U.S., UK, Japan): Eurostat

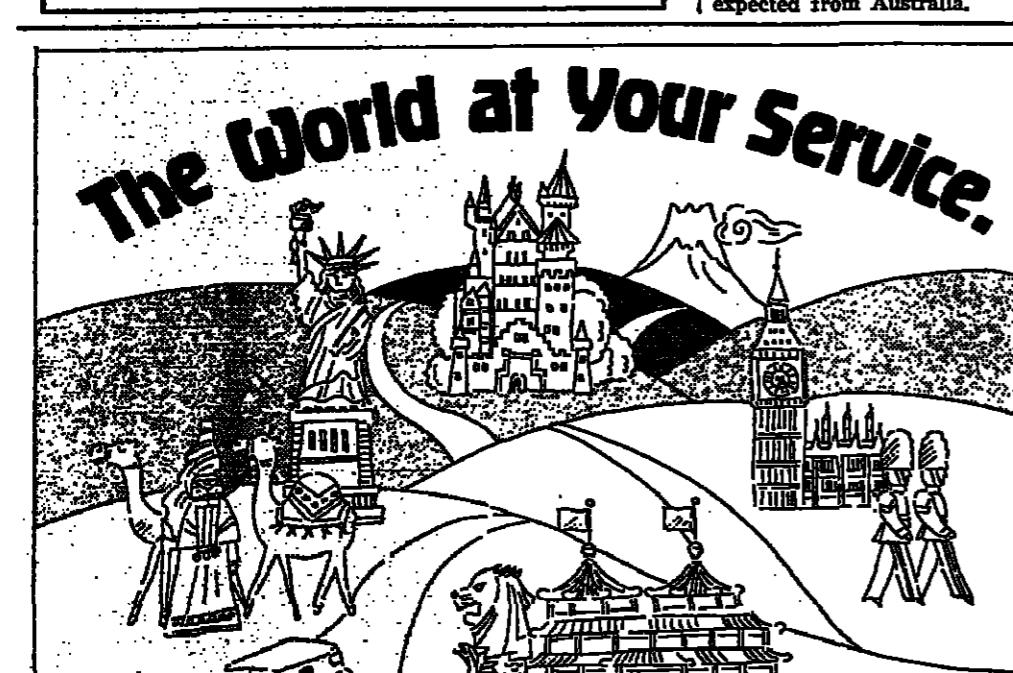
Purchasers find we have some remarkable properties.

FULLER PEISER

Chartered Surveyors

Progressive and Professional

Head Office: 100 Finsbury Circus, London EC2M 7RL. Tel: 01-531 4553. Telex: 25966. Fuller Peiser & Associates have 24 offices in the USA, UK and Canada.



Wherever you're located, forward with the best.

NIPPON EXPRESS

Nippon Express U.S.A., Inc., Nippon Express Hawaii, Inc.
Nippon Express (Nederland) B.V., Nippon Express (U.K.) Ltd.
Nippon Express (Deutschland), GmbH.
Nippon Express (Singapore) Pte., Ltd., Nippon Express (H.K.), Co., Ltd.
Nippon Express do Brasil Transportes e Turismo Internacionais Ltda.
Nippon Express Saudi Arabia Ltd., Nippon Express (Belgium) N.V./S.A.
Nippon Express Canada Ltd.

When it came to St. Katharine-by-the-Tower, the Taymech team didn't lose their heads.

In recent years, Taymech Ltd. has been involved in some 20 million pounds-worth of engineering and environmental services for this historic redevelopment.

What could have been a massive organisational headache, turned out to be a typical, smoothly-run Taymech operation.

The work, on time and within budget, spanned many areas of activity, from the elegant Tower Hotel to the environmental excellence of the new International House, part of the London World Trade Centre.

The Taymech team have worked with

the building industry for 30 years—enough experience to handle even the biggest project.

Our design and construction activities in environmental engineering are complemented by energy management and planned preventive maintenance teams.

Taymech gives a complete service to the building owner and occupier.

EXPERIENCE, EXPERTISE AND TEAMWORK WORLDWIDE
TAYLOR WOODROW

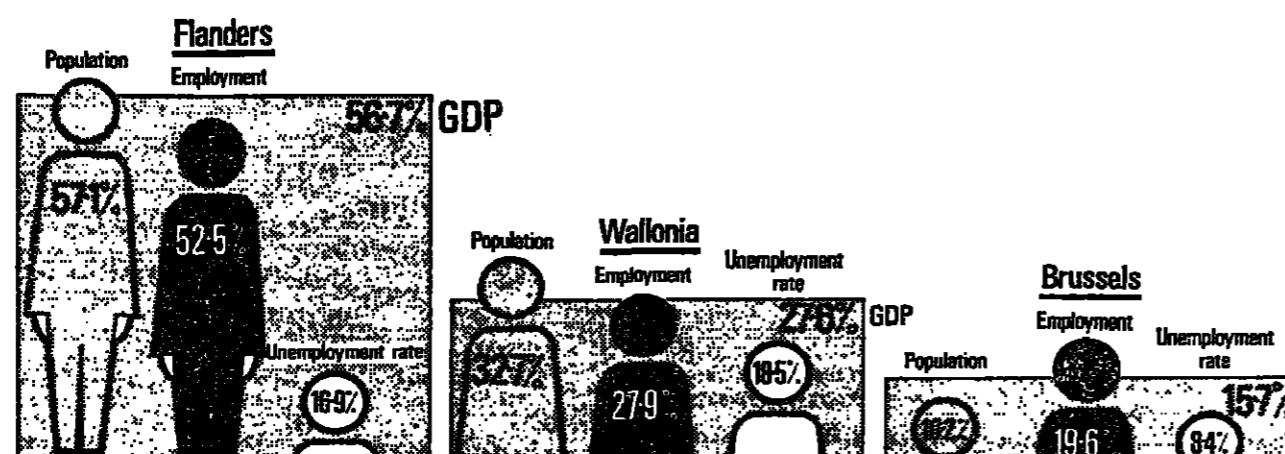
If you would like more information, please complete the coupon and send to:
Phil Gander, Taymech Ltd, Taywood House, 345 Ruislip Road, Southall, Middlesex, UB1 2QX. Telephone: 01-575 4513. Telex: 24428

Name _____ Position held _____
Address _____

FT83/10



STATISTICAL TRENDS: BELGIUM



Economy begins to turn round

AFTER three years of contraction, the Belgian economy is forecast to grow slightly in 1984. Gross National Product (GNP) is estimated to have fallen by 0.7 per cent this year, and is expected to rise by 0.5 per cent next year.

The Government priority in its economic policy has been to try to shift resources into business, away from consumption and the public sector. Real wages and real personal consumption have been falling, as the Government has cut into wage indexation and taken powers to hold down wages until the end of next year. Indication is down to around 7 per cent and forecast to fall further to under 6 per cent, but the record on

cutting public sector deficit has been poor: the target of reducing it to 7 per cent of GNP by 1984 has been abandoned.

The improvement in the external trade position of the country earlier this year boosted hopes of an export-led recovery, but recently the balance of payments has deteriorated, with capital outflows

related to interest rate differentials. The discount rate was raised to 10 per cent in late November after eight months of steady falls in response to the outflows of capital and the weakening of the Belgian franc.

While the rise in the Belgian Stock Exchange index reveals some optimism in the markets, there are few signs of an industrial recovery. Industrial activity, housing starts and car registrations are stagnant or down on the previous year. Not surprisingly, retail sales volume has also been falling with the squeeze on personal consumption.

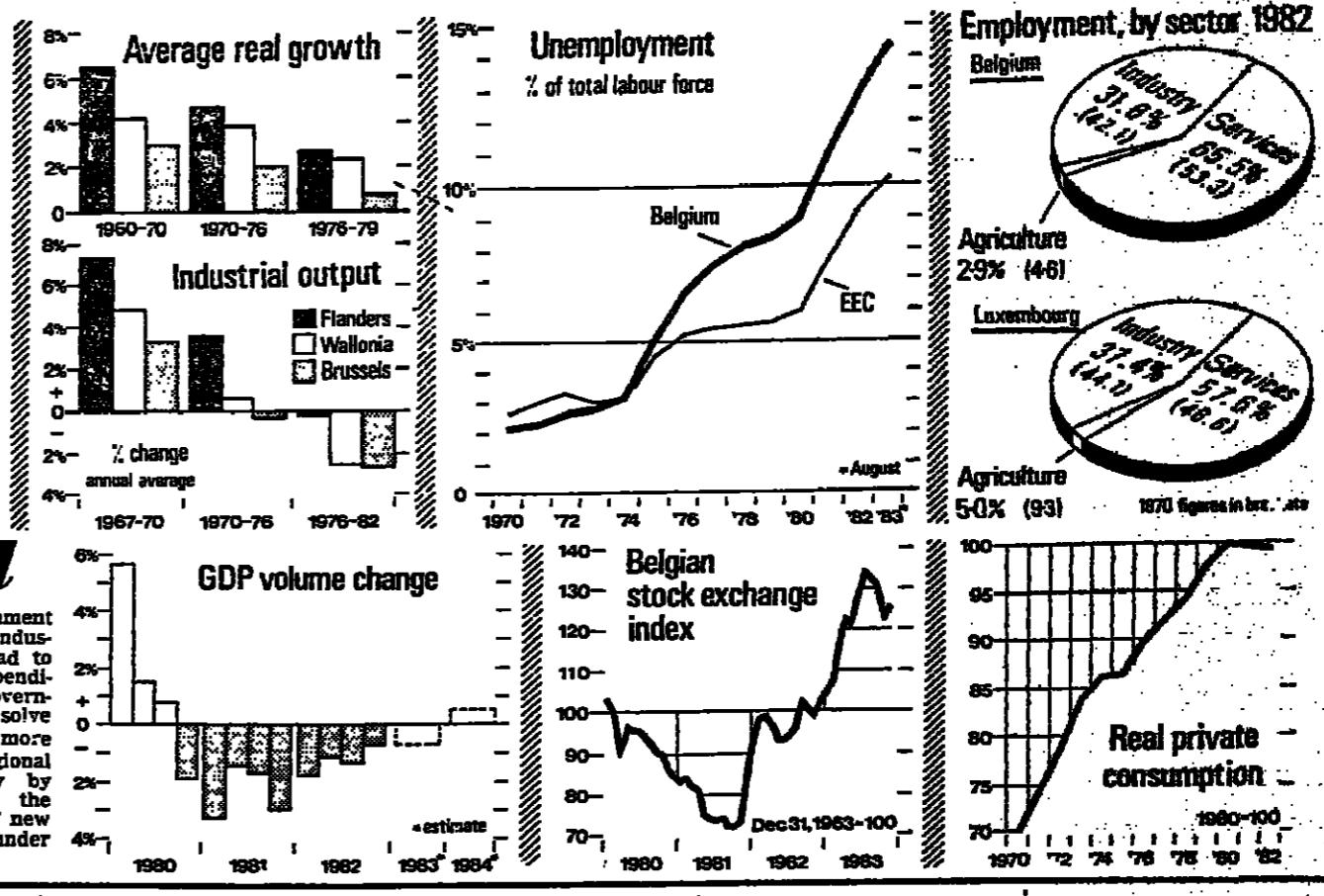
Unemployment is still showing no decline, though job vacancies are at a higher level than last year.

Company profitability, measured in net return on total assets shows a slight overall rise, but the rate of return in industry particularly remains very low.

The high level of unemployment, together with falling real wages and the attempt to cut the public sector lay behind the major strikes which occurred in September.

The restructuring of industries such as steel and coal, which have been hit particularly badly by the recession, has been complicated in Belgium by existing regional disparities.

The steel industry is concentrated in French-speaking Wallonia, along with other declining industries which once formed the industrial base of the country. Dutch-speaking Flanders has the majority of the population and the greater share of Gross Domestic



Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Charts Department.

Economic Indicators

	Dwellings started Units	Registered passenger cars Unit	Jobs vacant Units	New orders for metal products Bfr. million
1979 I	4,000	29,300	5,500	50,000
II	6,800	47,100	5,500	50,400
III	6,300	30,800	5,600	46,300
IV	5,700	28,700	5,200	63,600
1980 I	5,200	44,900	5,400	63,000
II	4,500	38,900	6,300	54,910
III	3,300	28,900	5,400	42,020
IV	2,600	24,000	5,500	52,430
1981 I	2,600	34,100	5,200	53,900
II	3,400	37,100	4,500	50,010
III	2,400	27,800	4,200	50,700
IV	2,500	22,900	3,500	55,710
1982 I	2,100	35,700	3,200	52,010
II	3,400	35,700	3,800	51,700
III	2,500	29,400	4,400	52,620
IV	1,500	22,600	4,500	64,472
1983 I	2,000	35,100	5,100	68,230
II	ns	ns	5,700	68,230

Source: OECD

Source: IMF

Crude Steel Production

	Belgium	France	W. Germany	UK	U.S.	Japan
1970	1,051	1,981	2,763	2,319	8,942	7,777
1971	1,077	2,000	2,780	2,309	8,979	7,795
1972	1,211	2,005	3,942	2,119	10,052	8,005
1973	1,284	2,105	4,127	2,227	11,372	9,944
1974	1,352	2,252	4,436	1,867	10,659	9,781
1975	1,375	2,300	4,627	1,853	10,629	9,502
1976	1,072	1,536	2,534	1,880	3,984	5,346
1977	938	1,904	3,249	1,709	9,429	5,534
1978	1,050	1,804	3,437	1,889	10,312	5,508
1979	1,047	1,937	3,507	1,705	10,372	5,508
1980	1,027	1,930	3,653	3,367	9,283	5,233
1981	1,024	1,765	3,468	1,297	9,073	4,973
1982	1,024	1,535	2,860	1,148	5,533	5,226
1983	824	1,475	3,016	1,206	6,077	7,785

t First half.

Source: OECD

Chemical research in high performance polymers is only one of Rhône-Poulenc's many activities. In more than 90 countries, Rhône-Poulenc is finding today the answers to tomorrow's needs: not only in energy saving, but in medicine, crop protection and communications systems.

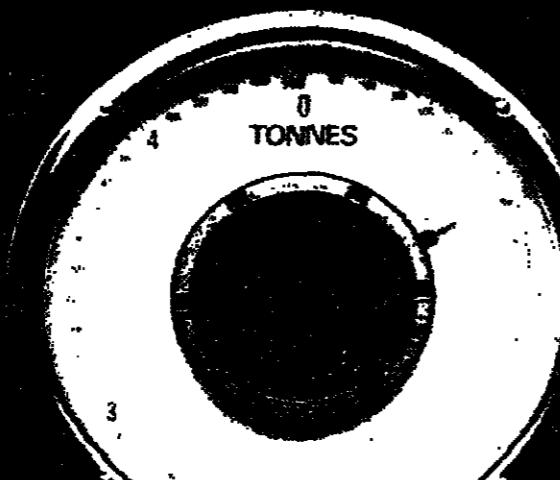


The creative chemical company worldwide.

The energy crisis has made the lowering of automobile fuel consumption a major objective. One of the first steps is to reduce an automobile's weight. That's why Rhône-Poulenc has developed high performance materials lighter in weight, but robust in performance.

One of these materials, Technyl polyamides, is currently employed by Renault, Peugeot S.A., and other automobile makers in radiators, gear box caps, and other parts of the automobile.

Another Rhône-Poulenc composite used in jet engines, Kinel polyimides, is resistant to temperatures as high as 250°C. Applications in automobiles include piston skirts, synchronizing rings, vacuum pump vanes. Kinel and Technyl are just two examples of Rhône-Poulenc's research for an energy-conscious world.



Rhône-Poulenc helps make automobiles lose their appetite by making them lose weight.

By developing lightweight, high performance materials (polyamides and polyimides), Rhône-Poulenc helps the automotive industry reduce energy needs.

In many areas, Rhône-Poulenc is represented by its subsidiaries: M&B May & Baker



Thai's Royal Executive Class. So successful on our intercontinental routes, we made it our number one class in the Orient.

At Thai, we've long recognised the importance of meeting the needs of business travellers.

As further proof of our commitment to make flying more pleasurable for them, we are proud to be the first airline in the Orient to take our Royal Executive Class and make it the premier class on board our A300 and DC8 regional routes throughout the region.

What's more, it is available to passengers paying just the full economy fare, or

where applicable, a small surcharge.

In Royal Executive Class you relax on seats normally reserved for first class passengers. Wider, more comfortable, with the leg room to match.

You also enjoy a choice of menus, free drinks, electronic headsets, comfort socks and a wide selection of magazines and newspapers.

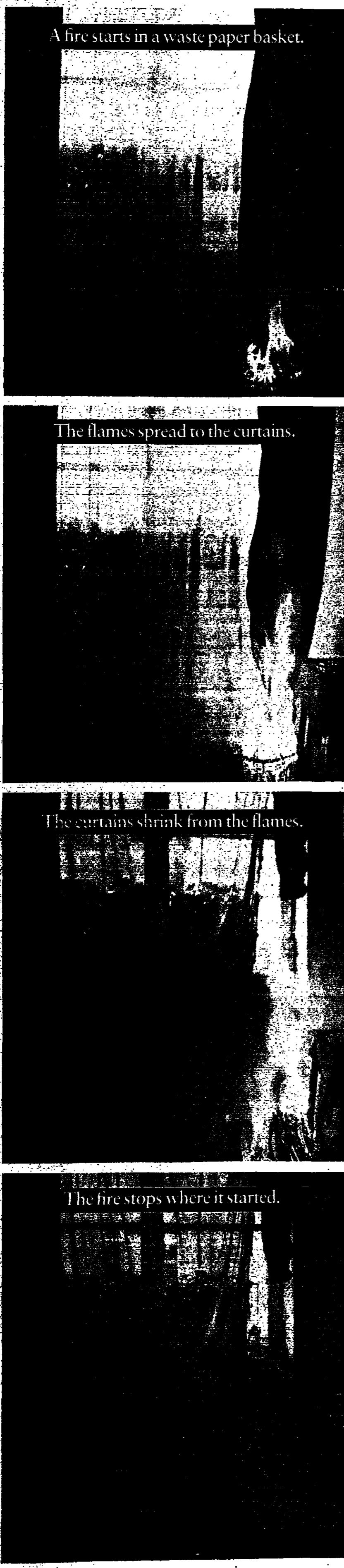
On the ground we offer speedy check-in at special counters and lounge facilities

at many of the destinations we serve in the Orient.

Economy Class passengers also enjoy improved seating and a high standard of in-flight service for which Thai has become renowned.

In the Orient fly Royal Executive Class on Thai. And enjoy the same high standards of service that passengers receive on our intercontinental flights across four continents.





A fire starts in a waste paper basket.

The flames spread to the curtains.

The curtains shrink from the flames.

The fire stops where it started.

You'll be better off buying curtains that shrink.

Before you shrink from the idea, look at our demonstration on the left.

The curtains in question are made from Trevira® CS flame retardant, a new Hoechst fibre

(C for comfort and S for safety).

Put a flame to it and it merely shrinks away.

Thus stopping the fire in its tracks before it can get a hold.

Hopefully you'll never have to put it to the test.

But it could be some of the best fire insurance you'll ever buy.

Making our principle stick.

Our treatment is not just applied to the fabric but permanently engineered into the fibre.

So it won't fade or come out in the wash.

Not surprisingly, Trevira® CS flame retardant fibres are now being specified by architects and interior designers around the world.

For schools, hospitals, hotels, old people's homes and wherever life is most at risk.

And being Hoechst, we're constantly investigating new applications.

Exciting the imagination of the world's designers.

For years Trevira® has excited the imagination of the world's top fashion designers.

Now our Trevira® CS flame retardant fibre is doing the same for designers of contract furnishings.

Curtains, wall coverings, bedding and upholstery are all being made from our latest creation.

Developing its flame retardant properties took us many years of intensive research.

But think what fire can do in a matter of seconds.

**We're spending £1 million a day
on a better tomorrow.**

Hoechst

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Investors in Industry's arresting corporate image

An eyecatching answer to an identity crisis

BY CHRISTOPHER LORENZ

FOR THE last few weeks readers of this newspaper and other "quality" publications in Britain have been confronted repeatedly with a rather strange sight.

In expensive double-page advertisements and even (in the Economist) a full-colour, 20-page inset, an unfamiliar organisation called "Investors in Industry" has been trumpeting its wares. At the centre of each advertisement is the organisation's striking symbol: the characters "3I", painted in wavy-edged watercolours, with the dot over the "I" replaced with a drawing of an eye.

The 20-page inset, a virtual replica of the company's new brochure, includes seven wispy full-page drawings, illustrating such aphorisms as Voltaire's "Intelligence is quickness in seeing things as they are" and Keynes's "Ideas shape the course of history."

It all seems pretty fey and abstruse, especially when the people do not even one realises that this "artiness" stems from what is actually one of the UK's largest, most solid and successful financial institutions. Owned by the pillars of the financial establishment, the Bank of England and the UK's massed clearing banks, it used to be known—to anyone who could understand the group's labyrinthine structure—as Finance for Industry.

FFI's main constituent parts carried four different sets of initials, with a whole host of derivatives. The basic four were: ICFC (small company finance), TDC (development capital for small technology-based firms), FFS (finance for shipping) and FCI (finance corporation for industry, lending to large companies). Hardly anyone, including many people inside the group, understood how the various companies related to each other and to FFI, or even that they were connected at all.

With another entity, "FFI UK Finance" employing the staff and holding almost all the assets, the confusion was complete. It would have represented a classic case for devising a new, consistent corporate identity, even if the group had not also wanted to reinforce the impact of a series of changes



it was making in its corporate strategy and structure.

Why on earth choose something as extreme as the 3I symbol? Why not something with a harder edge to it, both literally and psychologically, that would be more reflective of the solidity of the banking world? In both the City of London and 3I's strong market constituencies "north of Watford" (Britain's industrial heartlands, that is), the "softness" of the new image has certainly provoked some half-suppressed guffaws since it was launched in July.

But Jon Foulds, the group's chief executive, retorts that mild irreverence is not necessarily "frivolous." He says he and his colleagues went for something "light" to reflect their view of 3I as a unique institution, combining financial innovation with an unusual ability to understand industry, and with

Juggling with variations of the word 'Invest'

FROM THE appointment of Wolff Ollins as design consultants in April 1982, it took a year for the unwieldy FFI/ICFC/TDC/FFS group to find and agree a clear, new corporate identity.

ICFC and FFI, the two most obvious names, were considered at length but eventually dropped. The former, says group chief executive, Jon Foulds, was "cumbersome," and was not "welcomed to industry as a whole. So it was almost left unidentified, only with the group's strong small company business (this is how it still remains, largely distinct from the group's new name, "3I").

FFI had been a successful label for raising funds in the money markets, and "was a good enough name," says Foulds. But "apart from some

mildly Rabelaisian associations for ex-servicemen" (it used to denote "free from infection"), "it doesn't stand out. It isn't unique."

It was when Foulds and Wolff Ollins, head of Wolff Ollins, began to juggle with variations of the word "Invest" that Foulds also began to feel that it would be as well to distance the group from the word "Finance", which in expert circles has developed a shorter-term connotation.

Foulds really saw the attractions of "Investors in 'Industry'" when Ollins pointed out the possibilities of its more informal derivative, "3I". Not only is 3I one of only a very few companies which use numbers in their names, but the letter "I" could be used in all sorts of supporting ways to reflect the organisation's attributes or aspirations ("intelligence," "initiative," "ideas," "innovation" and "insight") just to cite the few used in 3I's new corporate brochure.

Though Foulds was excited about the proposed name—"it has a kind of speed about it"—he admits that it originally

been appointed chief executive in late 1977. Under his aegis new strategies began to emerge, notably TDC's shift away from a rather unsuccessful "hands-off" policy towards greater managerial involvement in the companies in which it invests. FCI was also upgraded from its original role as just a "lender of last resort," while ICFC began to raise its "risk ceiling" partly in response to an intensification of competition from the host of new entrants in the markets for venture and development capital.

With these changes well under way towards the end of 1981, Foulds "pulled together a number of thoughts that had been going through my mind." In particular he drew the attention of his close colleagues and his chairman, Lord Caldecote, to the confusion, or downright negative impact, that was being created both internally and externally by the group's fragmentation.

Internally, past divisionalisation had left it as essentially a series of largely disparate activities. This separateness, says Foulds, discouraged the units from combining their skills to exploit new opportunities. Externally, the organisation was presenting a confused message to many outside constituencies, not only about what it could offer to its various marketplaces, but also to Westminster and Whitehall.

Foulds' policy review led to a decision to tighten up the group's structure in several ways. "To show the feudal barons that they were all working together," as he puts it, "we redefined the role of all the management committees in the place." A series of what he calls "information-passing committees" were upgraded to executive status, and a central



Jon Foulds

ally met with blank stares from many people within the group. "A complex political process" had to be gone through from then on in order to develop widespread support for it. "Some people didn't like it for the very reason we did—it's different," he laughs.

With Ollins' colleague Michael Wolf now taking a leading role, the consultancy proceeded to explore various possible visual styles for 3I. Moving away from the willowy Japanese-style calligraphy with which they had suggested writing "FFI", it first came up with some highly decorated lettering, including squirrels, nuts, golden eggs and all sorts of

other things entwined around the "3I." A conventional form of illustrator's work, reminiscent of others, of the best-selling visual mystery, "Masquerade," it nevertheless proved too strong for the group's board.

With Foulds' agreement Wolf then gave the job to a watercolour artist, Philip Sutton, with whom he had worked on a previous corporate identity project. Sutton went on to create the symbol which the board eventually approved, despite the doubts of some of its members and the fact that some of 3I's clearing bank shareholders "thought it was pretty eccentric," as Foulds

says. Firmly rejecting complaints that the "eye" has many 1884-ish overtones, Foulds admits that a lot of people still don't like it. But he approves of the way that "you don't have to look at the thing—it looks at you." At some stage in the future 3I may even agree with Wolff Ollins that the slight ponderousness of the verbal-visual pun should be removed by dropping the stalk of the "I" completely.

Inside the organisation the "3I" symbol is now universally used in connection with its various entities, all of which (except ICFC) now also use "3I" or "Investors in Industry" as a prefix in front of their names: TDC, for example, is now known as the "Ventures Division," or familiarly as "3I Ventures."

Foulds says this harmonisation has had a perceptible unifying impact on staff: "It's given the organisation a new sense of impetus; everyone is recognising that they're contributing to the same effort, rather than looking rather nervously at what the others are doing."

All the same, it is not just the outside world which is feeling ever so slightly amazed at the adventurousness of it all.

This is the concluding article in a series on corporate identity. Previous articles appeared on October 31 (SAS) and November 2 (PA). A "Guide to Corporate Identity" has just been published by Wolff Ollins, 22 Dukes Road, London WC1H 9AB. Price £2.95.

BIG TOP

THE WORLD'S LARGEST 747
HAS BUSINESS CLASS ON A FLOOR OF ITS OWN

SO EVERYONE ELSE HAS MORE ROOM TO RELAX IN

SINGAPORE AIRLINES

747-200

747-300

747-400

747-400ER

747-400F

747-400M

747-400X

747-400R

747-400T

747-400V

747-400W

747-400X

747-400Y

747-400Z

747-400A

747-400B

747-400C

747-400D

747-400E

747-400F

747-400G

747-400H

747-400I

747-400J

747-400K

747-400L

747-400M

747-400N

747-400O

747-400P

747-400Q

747-400R

747-400S

747-400T

747-400U

747-400V

747-400W

747-400X

747-400Y

747-400Z

747-400A

747-400B

747-400C

747-400D

747-400E

747-400F

747-400G

747-400H

747-400I

747-400J

747-400K

747-400L

747-400M

747-400N

747-400O

747-400P

747-400Q

747-400R

747-400S

747-400T

747-400U

747-400V

747-400W

747-400X

747-400Y

747-400Z

747-400A

747-400B

747-400C

747-400D

747-400E

747-400F

747-400G

747-400H

747-400I

747-400J

747-400K

747-400L

747-400M

747-400N

747-400O

747-400P

747-400Q

747-400R

747-400S

747-400T

747-400U

747-400V

747-400W

747-400X

747-400Y

747-400Z

747-400A

747-400B

747-400C

747-400D

747-400E

747-400F

<p

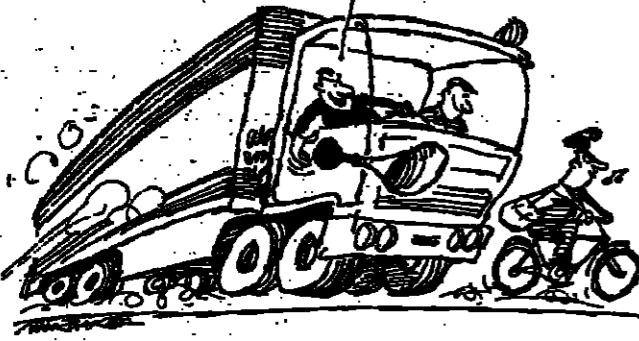
TECHNOLOGY

DEVELOPMENT OF THE HUSH-HUSH HEAVY VEHICLE

Roll on, the quiet lorry

BY HAZEL DUFFY, TRANSPORT CORRESPONDENT

WATCH THIS, HE HASN'T HEARD US YET!



GOODS VEHICLES have few friends among the general public, as politicians know only too well. They are, however, the mainstay of the country's distribution system. The Government has decided, therefore, that the best it can do is to take lorries away from residential areas wherever possible, and to "civilise" the lorry by making it quieter and cleaner.

Quieter goods vehicles are already on Britain's roads in compliance with an EEC regulation formulated about six years ago, and applied to new vehicles registered since October 1983. Today, however, the industry is concerned with much more stringent regulations drawn up by the European Commission which have led to the setting up of a programme known in Government and industry circles as QHVS (Quiet Heavy Vehicle) 90.

The programme, costing at about £15m to be shared equally between government and manufacturers of vehicles, engines, and components, is being co-ordinated by government with the aim of getting a vehicle that can go into production by the end of 1986.

The key points of the programme will be to achieve technical solutions which will not add significantly to the cost and weight of the vehicle.

which has to be tackled."

The most demanding of the EEC requirements—which have yet to be confirmed as a directive—would reduce the noise level of vehicles currently registering 86 dB(A) to the following: engine power up to 15kW to register 80 (about the noise level of a fast passenger car today); 70kW to 145kW and over to register 82;

Reduction in noise as registered by the decibel scale is not as straightforward as it might appear. A 6 dB(A) reduction, for instance, means that the sound pressure levels are being halved. It can be seen, therefore, that the noise levels which are being drawn up represent a substantial technical step.

Before these measures gain common support throughout the EEC, the manufacturers are being required to adopt a change in the test procedures of the current reduced values within the next few years,



which will have the effect of lowering them by another 3 dB(A).

The industry, through their EEC representative body, have said that they will not be able to comply within the required time scale (October 1988) for new goods vehicle registrations in the UK.

The governments of the "silent countries," as they are dubbed by the industry—Denmark, the Netherlands, and West Germany—may well push

facturers putting up its own proposals as to how it wants to run its project.

Participants include Ford, Bedford, Perkins, Gardner, and major component suppliers, with the co-operation of Southampton University's Institute of Sound and Vibration Research, and the TRRL. The bulk of the £10m funding—which has been approved by the Treasury although still awaiting official confirmation from the ministers of the two government departments concerned (Trade and Industry, and Transport)—will be for the production of prototype vehicles and testing.

The manufacturers agree that the existence of the programme—although already two years overdue—has spurred them into spending more on noise research than they would have done otherwise.

Film at Leyland, describes QHVS 90 as "an excellent mechanism for ensuring that UK vehicle/communications manufacturers have well developed noise technology." Leyland, with a particularly well equipped test centre, aims to move more of its noise testing into the specially equipped chamber inside—apparently the Lancashire weather plays havoc with setting up acceptable outdoor test conditions.

A major part of the programme, however, must take place within clear cost objectives. The current noise requirements on goods vehicles, implemented this autumn, have put about 2 per cent on to the cost of a vehicle. It is a sum which cannot be recovered in the price to the customer in the currently very depressed vehicles market.

LILLY BACKS NOVEL TECHNIQUES

Drugs delivered by magnet

BY DAVID FISHLOCK, SCIENCE EDITOR

TWO AMERICAN medical students got a bright idea for delivering dangerous drugs to a patient. They broke off from their studies for 18 months in the mid-1970s, and laid the foundation for Molecular Biosystems.

Molecular Biosystems, of San Diego, California, is a new biotechnology venture specialising in pharmaceutical products. Its roots, however, lie in a magnetic drug delivery system the two researchers persuaded Eli Lilly to back.

The basic idea is quite simple: to encapsulate the drug in packages small enough to move freely through capillaries, magnetise these packages, then steer them where they are most needed with the help of a strong magnet.

The packages are microspheres of protein only about 1 micrometer in diameter (compared with about 2 micrometers for red blood cells). According to Dr Kenneth Widder, one of the inventors, they consist of mesh of cross-linked fibres of human serum albumin. This mesh can entrain both the drug to be delivered and fine particles of iron oxide, which magnetise them. The microspheres are made by a method he has patented, which forms

them as a suspension in oil, by ultrasonic agitation, then "sets" them either by heat or chemical reaction, cross-linking the protein.

Such microspheres are highly mobile, Dr Widder says. A strong magnet placed near a kidney, for example, is enough to ensure they home in on that organ. Dr Widder and his partner, Dr Andrew Senyei, demonstrated this mobility by following the progress of fluorescent microspheres through the circulatory systems of small animals with a microscope.

The two medical students returned to their studies and duly became doctors. Dr Widder now practises his art and founded a company which became the precursor to Molecular Biosystems. It was assigned three patents for microspheres taken out to Northwestern University, where their research had been done.

Eli Lilly supported the biotechnology venture because of its interest in finding new ways of delivering toxic drugs, particularly for treating cancers. Altogether, the drug company has put in more than \$200,000 in research contracts, Dr Widder says.

The research has demonstrated that the drug can be targeted very precisely, and retained in an organ for a significant time—as long as 30 minutes—by the magnet. The microspheres apparently cause no foreign-body reaction and are eventually biodegradable, but not too quickly—"we've seen them around for up to 21 days."

The research effort has been transferred to Lilly's own laboratories, and a magnet specifically for use with patients is being designed at the National Magnet Laboratory in Cambridge, Mass. Dr Widder expects Lilly to reach clinical trials in the next year or two.

The two medical students are being granted their PhDs and due to become doctors. Dr Widder now practises his art and founded a company which became the precursor to Molecular Biosystems.

Molecular Biosystems will get a royalty of 3 per cent on net sales.

But Dr Widder is already pursuing another application of his microspheres of protein, to separate a specific type of cell from a cocktail of cells. It uses a microsphere of albumin containing a substance called "protein A," a protein isolated from the surface of the bacterium *Staphylococcus aureus*. Protein A has the unique property of binding antibodies to the microsphere.

Atlas Copco

Compressed Air Technology

Profit from our experience

Hemel Hempstead (0442) 61201

Computing

IBM PC accesses videotex

THE IBM Personal Computer can now access most of the European videotex systems, including Prestel in Britain.

Videotex can also be used to link the IBM PC to a larger, corporate mainframe and exchange information.

Working with national information systems such as Prestel, Teletel (in France), Videotel (in Italy) or Datavision (in Sweden) the videotex terminal support facility can take information off, or put information onto ready-prepared screen pages.

A videotex communications adapter and connecting cable are the hardware needed, costing £281, together with the VTS software for £22. More from IBM on 0705 694941.

CONVERGENT TECHNOLOGIES INTRODUCES NEW TERMINAL

How to cluster in the office

A NEW desktop workstation from the U.S. manufacturer Convergent Technologies can take all the most advanced personal computer software and share it around its own tightly knit office network.

Film at Leyland, describes QHVS 90 as "an excellent mechanism for ensuring that UK vehicle/communications manufacturers have well developed noise technology." Leyland, with a particularly well equipped test centre, aims to move more of its noise testing into the specially equipped chamber inside—apparently the Lancashire weather plays havoc with setting up acceptable outdoor test conditions.

A major part of the programme, however, must take place within clear cost objectives. The current noise requirements on goods vehicles, implemented this autumn, have put about 2 per cent on to the cost of a vehicle. It is a sum which cannot be recovered in the price to the customer in the currently very depressed vehicles market.

Convergent's latest 16-bit machine introduces some design improvements over the first, of which "clustering" is the most interesting to those involved in office automation. It is also one of the first workstations de-

signed to run both MS-DOS and CP/M-86 software at the same time, removing a common barrier in the choice of computer hardware which often has done otherwise.

The first NGENs were shown in Europe by distributor Zygal at the industry's main exhibition, Compex. Mr John McLean, Zygal's managing director said "once again Convergent has proved that they are unbeatable on design."

He said that NGEN is a "true 16-bit microcomputer—one of the first and the fastest of its kind—and the fastest of all Intel iAPX chip which it employs—which takes advantage of components only now becoming available. He said that this means that a cluster of them can provide an office system where each workstation seems to work as part

of a larger, co-operating whole. "A NGEN lives best in clusters, in an office automation system for instance, as people in the same room or in the same part of a building are the ones who are most likely to need to share information, or share the same programs," added Mr McLean.

Convergent's own unique operating system, or CTOS, is claimed to be a "distributed intelligence architecture" which does more than just run parallel programs. It can switch operating systems in mid-flight and comes pre-packaged with integrated applications of its own.

CTOS can allow a user to switch between different MS-DOS and CP/M-86 programs at the press of a button, and store information from both on

the same system. It comes complete with powerful data management tools as well as applications such as word processing, business planning spreadsheets and graphics and electronic mail.

The NGEN comes with a unique "power brick" or separate transformer which sits on the ground and ensures that there is the minimum of electrical power necessary reaching the separate processor or the workstation on the desk.

"U.S. experts are now saying that though it will soon be put into shipping lanes which prevent all this electrical equipment from sitting on the desk, where it can be extremely hazardous," added Mr McLean. The NGEN is available from Zygal on 0895 23 3361.

CONTRACTS & TENDERS

PUBLIC NOTICES

YUGOSLAV RAILWAYS
The Community of Yugoslav Railways has applied to the International Bank for Reconstruction and Development in Washington for a loan in various currencies equivalent to about US\$110 million. It is intended to disburse a part of the loan of spare parts for all types of locomotives and motor trains used by Yugoslav Railways. The traction stock was produced in Yugoslavia under licence or abroad. For electric locomotives and motor-trains, the main items of spare parts are:

- bogies, pneumatic brakes, silicon control systems, pantographs, thyristor control systems, relay control systems, and complete axles with wheels, transformors and driving engines.
- For diesel locomotives and motor-trains, the main items of spare parts are:
- diesel motors, hydraulic gear, transmission of power, axles with wheels, pneumatic brakes, relay control systems, and complete axles with wheels and hydraulic gear.

The specifications for Spare Parts consist of nine (9) volumes. Bidding documents are expected to be available by December 1983. Potential suppliers are invited to register their interest by writing to:

COMMUNITY OF YUGOSLAV RAILWAYS
Planning and Development Department
11000 BEOGRAD
Nemanjina 6
Yugoslavia
Tel: 01/2495 700

PERSONAL

SWITZERLAND
A new investment opportunity in Swiss real estate. Excellent income potential.
VILLARS
Summer and winter resort in the Vaudois Alps. Geneva Airport only 1½ hours.
LE BRISTOL
A unique concept in selected fully serviced apartments with all the facilities of a luxury hotel. Restaurant, bar, fitness club, squash, Studio, 1 and 2 bedroom options. Minimum investment capital £10,000.
Details available from our Director,
Mr. H. Lüscher, who is also the Director of:
PLATZ 10, Postfach 1000, CH-8001 Zürich, Switzerland
Monday, 5th Dec to Saturday, 10th Dec 1983.
Make an appointment now to discuss your requirements in full.

Immobilien AG, Bahnhofstrasse 10, CH-8001 Zürich, Switzerland
Telephone: 01/222 752 2400. Advertisers Tel: 01/222 752 2400.

MONTEREY TRUST S.A.
société anonyme
Registered Office: Luxembourg, Avenue d'Arlon,
Commercial Register: Section B No. 732

The Annual General Meeting of Shareholders of the company held on 22nd November 1983, decided to split the company's share by reducing its nominal value from 10.50 to 1.00 francs thus increasing the number of shares.

Existing shareholders on record as of November 22nd, 1983, will receive 10 shares for each share held on that date.

Shareholders may withdraw their shares in exchange for cash or other assets.

Shareholders should present their old share certificates with coupons for 30 francs to the Banque Générale du Luxembourg.

14, rue Aldringen
LUXEMBOURG 1000, Luxembourg
on or after December 15th, 1983. In order to receive the new shares, all old share certificates must be surrendered.

As from January 1st, 1984, only the new shares will be admitted to trading on the Luxembourg Stock Exchange.

THE BOARD OF DIRECTORS

COMPANY NOTICES

ENTREPRISE DE RECHERCHES ET D'ACTIVITES PETROLIERES
"ERAP"
Public Company of the French State
(Dette Nationale 15-1116 of December 17, 1965)

Registered Office: 7, Rue de la Paix, 75116 Paris (15eme)
9.5% BONDS 1985-1995 of USD 1,000,-

Exercising the right of redemption that is reserved at the time of the issue of the bonds, the company has decided to cancel the above-mentioned bonds.

Resolution No. 1. 98.5% of votes cast
Resolution No. 2. 1.5% of votes cast
Resolution No. 3. 97.7% of votes cast
Resolution No. 4. 2.3% of votes cast

Both resolutions were therefore passed by the required majority of 75% of votes cast.

The Trust Deed amendments were effective from 2nd December 1983.

NIGHTCLUB RESTAURANT
42, Dean Street, W1. Where today's fashion meets tomorrow's fashion. Unique, exciting atmosphere. Charming and discreet dancing partners.

Open 7pm-2am. Tel: 01-437 4923.

For Share Index and Business News Summary, Telephone 246 8026 (number, preceded by the appropriate area code valid for London, Birmingham, Liverpool and Manchester).

All advertising is subject to the publisher's current terms and conditions, copies of which are available on request.

EDITED BY ALAN CANE

Lilly Backs Novel Techniques

Drugs delivered by magnet

TWO AMERICAN medical students got a bright idea for delivering dangerous drugs to a patient. They broke off from their studies for 18 months in the mid-1970s, and laid the foundation for Molecular Biosystems.

Molecular Biosystems, of San Diego, California, is a new biotechnology venture specialising in pharmaceutical products. Its roots, however, lie in a magnetic drug delivery system the two researchers persuaded Eli Lilly to back.

The basic idea is quite simple: to encapsulate the drug in packages small enough to move freely through capillaries, magnetise these packages, then steer them where they are most needed with the help of a strong magnet.

Such microspheres are highly mobile, Dr Widder says. A strong magnet placed near a kidney, for example, is enough to ensure they home in on that organ. Dr Widder and his partner, Dr Andrew Senyei, demonstrated this mobility by following the progress of fluorescent microspheres through the circulatory systems of small animals with a microscope.

The research has demonstrated that the drug can be targeted very precisely, and retained in an organ for a significant time—as long as 30 minutes—by the magnet. The microspheres apparently cause no foreign-body reaction and are eventually biodegradable, but not too quickly—"we've seen them around for up to 21 days."

The research effort has been transferred to Lilly's own laboratories, and a magnet specifically for use with patients is being designed at the National Magnet Laboratory in Cambridge, Mass. Dr Widder expects Lilly to reach clinical trials in the next year or two.

The two medical students are being granted their PhDs and due to become doctors. Dr Widder now practises his art and founded a company which became the precursor to Molecular Biosystems.

Molecular Biosystems will get a royalty of 3 per cent on net sales.

But Dr Widder is already pursuing another application of his microspheres of protein, to separate a specific type of cell from a cocktail of cells. It uses a microsphere of albumin containing a substance called "protein A," a protein isolated from the surface of the bacterium *Staphylococcus aureus*. Protein A has the unique property of binding antibodies to the microsphere.

Eli Lilly supported the biotechnology venture because of its interest in finding new ways of delivering toxic drugs, particularly for treating cancers. Altogether, the drug company has put in more than \$200,000 in research contracts, Dr Widder says.

CONVERGENT TECHNOLOGIES INTRODUCES NEW TERMINAL

How to cluster in the office

A NEW

desktop

workstation

from

the</div

UK NEWS

GEC's 'marriage' with Hitachi heads for split

THE FIVE-year-old marriage between GEC, one of Britain's largest companies, and Hitachi to modernise and expand colour television production at Hirwaun, South Wales, is on the rocks.

Talks were held last week between the Anglo-Japanese company's management and national trade union officials to try to end a stoppage by the 1,050 production workers at the Welsh plant. The week-long stoppage is the second this year.

But a peace formula worked out by the management and union officials became the subject of a major row at the weekend. Although workers plan to return to the factory today, there is to be a special ballot before the formula is finally accepted.

This is because of allegations that a mass meeting vote by the workforce on Saturday was rigged in favour of a return to work.

The indications are that, even if the immediate problem is resolved, the factory's long-term future will be decided by the terms of a divorce between GEC and Hitachi.

According to well-informed sources, the business - with assets worth some £5m-fm and the capacity to produce at least 260,000 television sets a year - has been the subject of bids and counter-bids between the two companies for much of this year.

In February, Hitachi made an offer which was rejected by GEC. In June, Hitachi executives flew to London from Japan to negotiate the sale of the business to the British group. But negotiations ended inconclusively after only an hour.

A subsequent counter-offer from Hitachi looked like succeeding but was again rejected by GEC.

GEC-Hitachi is now the only Anglo-Japanese joint venture in television manufacture. A similar tie-up between Rank and Toshiba ended in failure in 1981. Toshiba later restarted manufacture on its own account.

Arguably, investment policy has also suffered. In 1981, Hitachi proposed diversifying into video cassette recorder (VCR) manufacture at the Hirwaun site and the Welsh Development Agency was approached with a view to carrying out a £2m improvement of the factory premises. But GEC reportedly decided against contributing to the venture and the plan fell through. Subsequently, Hitachi has opened a VCR production unit in West Germany.

On paper, Hitachi is the largest Japanese producer of televisions in the UK. But while production at Hirwaun last week was at a stand-

still, down the road at Matsushita Electric's National Panasonic factory in Cardiff, plans were being published for a further investment of £1m. This would nearly double colour television output there to 1,000 sets a day to meet the buoyant market.

Labour problems at the Cardiff plant, which opened in 1976 and employs over 500, have been virtually non-existent. The same is true of the two other Japanese consumer electronics companies with plants in Wales, Sony and Aiwa.

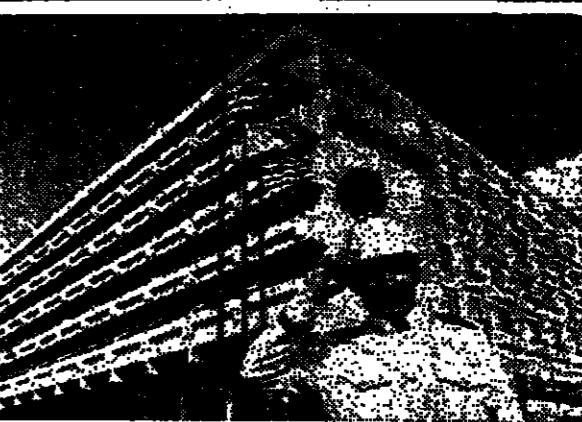
Part of the problem at GEC-Hitachi seems to arise from the terms of the marriage. When first established in early 1979, the two partners agreed to invest £2.75m to modernise what had been GEC's Hirwaun factory with the aim of stepping up colour television production from 150,000 to 300,000 units a year.

But both companies maintained separate sales organisations and marketing strategies. GEC essentially kept responsibility for the management of the factory while Hitachi provided the new technology and design. The number of permanent Japanese executives has been less than a dozen throughout, though there have been visiting technical teams from time to time.

As a result, Hitachi's initial aim of establishing management reforms common to other Japanese-owned plants in the UK, such as a single canteen for all employees never got off the ground.

Its deterioration into a complete stoppage was triggered when the management proposed an entirely new percentage bonus system. Mr Williams warned that "dramatic increases in productivity" were required from all staff to restore the plant to profitability.

The offer was rejected by shop-floor union officials. It was then withdrawn by management and the workforce was warned that unless they worked normally they would not be paid. The result is what the workers claim to be a lock-out.



Make the Athens Marriott Hotel your business centre in Greece.

Athena Marriott Hotel is now open and has been designed to cater for all the needs of business travellers. The hotel offers a range of 5-star standard at the service which ensures you a 'trouble-free' stay.

You can entertain in prestigious surroundings, and of course we have the facilities available to you to conduct business while you are away from home.

We have in-house TV movies, a roof swimming pool and whirlpool. Magnificent views of the Acropolis.

Everything that can be done to ensure the success of your business trip will be done.

In addition to Athens, there are other super Marriott Hotels in Amsterdam, Cairo, Jeddah, London, Manila, Paris, Rome and over 100 Marriott Hotels worldwide.

For reservations, United States: 1-800-228-9290; Amsterdam: 020-43 81 12; Frankfurt: 0611-28 74 92;

Paris: 01-45 25 00 00; London: 01-836 8521; Manila: 02-839 18 20 93;

Your Travel Agent, or your nearest Marriott Hotel.

Luxury Marriott Hotel

Athens

Ameritech. Already a leader in the growing telecommunications industry. Positioned in one of the world's most information-intensive regions. We begin with 14 million lines connected to the homes and businesses of 30 million people in Illinois, Indiana, Michigan, Ohio and Wisconsin. And that's just the base upon which we will grow through information-moving services that will increase the usage of our lines. Here is a market with more FORTUNE 1000 Industrial companies than any other part of the United States. More service companies. More professional computer sites, too. All with expanding needs for new and more services that gather and transmit the data that helps increase their productivity.

And Ameritech's marketplace offers a unique opportunity for profitable growth. It is an area where nearly 20% of the nation's population is concentrated in less than 7% of its land. This density, coupled with our advanced technology, means Ameritech will be a cost-efficient provider of telecommunications services. This allows us to devote attention and capital to new revenue opportunities that are above and beyond traditional telephone service. Opportunities such as the country's first mobile phone service.

No wonder tomorrow looks so exciting. We're ready to serve. Ready to grow. We've got the best connections in the world.

To learn more about us, write: Ameritech, Director of Corporate Communications-Dept. A, 225 West Randolph Street, Chicago, IL 60606, USA.

THE BEST CONNECTIONS IN THE WORLD

AMERITECH
AMERICAN INFORMATION TECHNOLOGIES

AT&T Bell Indiana Bell Michigan Bell Ohio Bell Wisconsin Telephone American Communications Ameritech Illinois Communications Ameritech Divisions Corporation Moving A World of Ideas

Pan Am. Los Angeles 747 Nonstop.

Departs London Heathrow 14.25, Arrives 17.25.
Just one of Pan Am's 65 U.S. cities.
Call your Travel Agent or Pan Am.



Pan Am. You Can't Beat the Experience.



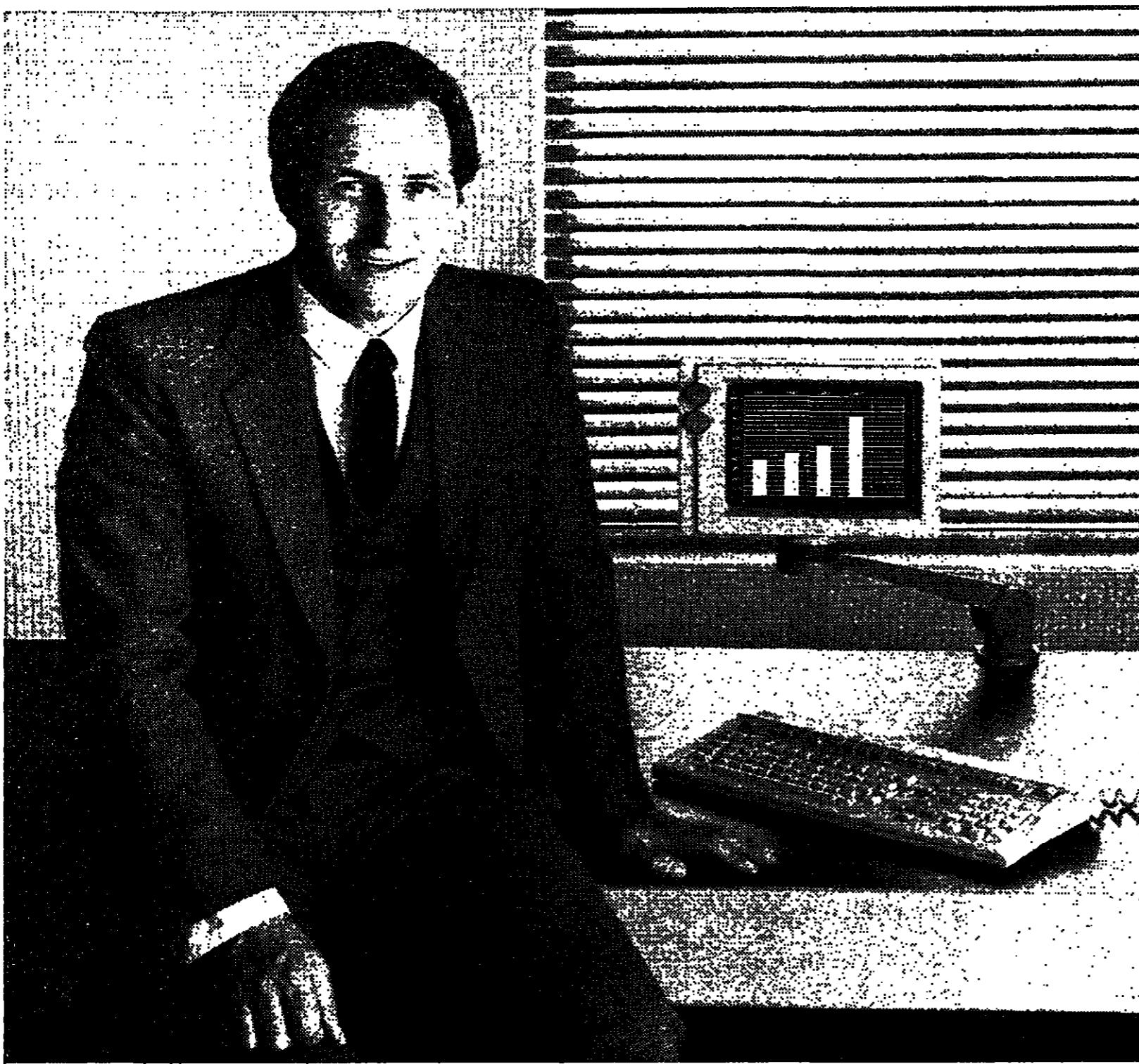
Top technology for deep research. Agip.

The deeper you want to go to find and produce oil or gas, the higher the level of your technology must be. And it needs top technology to reach energy sources at a depth over 25,000 feet onshore and 4,500 feet water depth offshore, and this is the technology that Agip supplies. So, when you are looking for an efficient, top rank oil company of international standing, think of Agip. Born in 1926, Agip is today among the ten biggest oil companies in the world: an internationally operating company involving men and technologies with investments amounting to 1.7 billion dollars with constantly

high profits over the years to secure availability of energy at a national and international level. Agip with a very reliable economic and operative framework and with an enviable richness of experience and positive results participates in 180 joint-ventures with major oil companies all over the world, exporting high technology and sophisticated know-how. Agip operates at the highest international standard in 30 countries in Europe, Africa, the Far and Middle East, America and Australia to make its own contribution to the solving of energy problems with deep thinking and top results.



Agip
Eni Group.
Deep thinking. Top results.



"We used to have a computer as powerful as this Wang PC back in the '70's.

It weighed twenty tons, took seventy people to operate it and cost slightly less than a battleship."

"You had to queue for weeks just for the opportunity to spend five minutes with it.

It was kept in a back room or maybe the basement.

It was protected from pollution by an anti-dust carpet and elaborate air conditioning.

You needed a Ph.D. in computer science just to switch it on.

Now I have an infinitely more advanced computer that lives right here on my desk. The Wang PC.

It costs a fraction of its predecessor.

It's capable of word processing, accounting, forward planning, filing, drawing graphs. You name it. The keyboard can even sit on your knee and look pretty.

I can please myself whether I write my own programmes or not, there's more than enough software off the shelf.

Above all, it integrates with the complete Wang product range of office automation equipment. In fact it's the cornerstone of Wang Office Automation.

It also connects into other computers.

So unlike the twenty ton version, this one, the Wang Professional Computer, won't be out of date before you pay for it.

You just keep adding to it over the years."

WANG

**The Office Automation
Computer People.**

WANG (UK) LTD., 661 LONDON ROAD, ISLEWORTH, MIDDX. TEL: 01-560 4151.
LONDON, BIRMINGHAM, MANCHESTER, LEEDS.

UK NEWS

Growth rate of 2% forecast for next year

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

MOST economic forecasters are more pessimistic about the prospects for next year than the Treasury, according to a special FT survey of recent projections.

The average or "consensus" forecast from 16 organisations surveyed, including the Treasury, suggests a growth rate of about 2½ per cent next year, with the annual inflation rate at about 5% per cent by this time next year.

The Treasury, by contrast, is predicting growth of 3 per cent with inflation down to 4½ per cent in a year's time.

Only one of the 15 independent forecasters is more optimistic than the Treasury about inflation and only two think growth could be higher than 3 per cent.

The annual growth rates for next year range from 1 per cent to nearly 5 per cent. The highest inflation forecast is for an annual rate of 7½ per cent and the lowest a little over 2 per cent.

The independent forecasters tend to be more optimistic than the Treasury about the trend of public borrowing next year, and the consensus of their projections suggests there might be room for modest tax cuts, if the Government wanted to keep borrowing to £5bn.

FT CONSENSUS OF FORECASTS

	1983	1984
Gross domestic product	2.7	2.4
Consumer spending	3.4	1.5
Exports	1.6	3.8
Imports	4.7	4.1
Inflation (fourth quarter retail prices)	5.7	5.7
Unemployment (thousands million fourth quarter)	3.0	3.0
Current balance of payments (bn)	0.5	0.6
Public sector borrowing requirement (bn)	9.2	7.5
Percentage rise year on year unless otherwise stated.		

Nuclear fuel price increases proposed

By David Finlayson,
Science Editor

However, this consensus is strongly influenced by the extremely low borrowing requirements expected by the City University and the Liverpool groups which put more faith than the others in the power of market forces. Both, in consequence, expect accelerating growth.

Almost all the forecasters foresee a recovery in exports as the world economy picks up next year, although the Confederation of British Industry is notably less optimistic about the extent of an export recovery than most.

There is also general agreement that imports will continue to increase, though at perhaps a slightly slower rate this year. Every forecaster expects some slowing down in the consumer boom next year.

Little change in unemployment is expected from the present figure of 3m, with the number of forecasters predicting a slight rise balanced by the number expecting a fall.

The FT average should be taken only a broad guide to the consensus since not all the forecasts are strictly comparable in their assumptions or the variables forecast.

FOUR-YEAR FINANCIAL REGIME AGREED

New deal for British Gas

BY IAN HARGREAVES

BRITISH GAS has won its case for a four-year regime of financial targets, but will have to cut its costs by 12 per cent between 1983 and 1987 under the terms of an agreement with the Government.

Terms of the deal are expected to be made official shortly, in time for

British Gas to announce a 4 per cent increase in gas prices from January 1. The price increase will not apply to most of the gas supplied under special contract to large industrial customers.

The corporation also appears to have reached an understanding with the Government that there should be no change in the gas levy - a tax introduced in 1981 to cream off excess profits made by British Gas in a period of sharp price increases.

It means that British Gas now has a fairly secure financial framework, subject only to the annual uncertainty of its external financing limit, which was set at a negative figure of £100m in the Chancellor's autumn financial statement.

British Gas, much to Sir Denis's irritation, has been without a financial target since April.

The new targets of 4% return on

average net assets will be backdated to April and will expire in April, 1987.

Sir Denis Rooke, the British Gas chairman, said he was unwilling to comment on any agreement until he had received official notification from the Department of Energy, but there is no disguising the fact that the agreement represents a considerable victory for him.

British Gas should have no trouble meeting this target, having registered an average 4.2 per cent return for the three years 1980-1983. That was in excess of the then target of 3.5 per cent.

With average net assets of around £12bn, the target calls for current cost profit to average about £480m a year. Last year, the corporation made £563m.

Gas levy payments are expected to remain at about last year's level of £470m in real terms. Taxation may fall slightly as the corporations' capital investment increases this year to £900m compared with £800m last year.

The most demanding aspect of the target is the call for a further sharp reduction in unit net trading costs per therm of gas sold.

Nuclear disarmers shelve decision on Nato withdrawal

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

the support of the Communist Party, few doubt the left-wing influences at work."

Monsignor Bruce Kent, the general secretary of CND, yesterday replied to the criticism of his decision to address the annual conference of the Communist Party last month.

He said: "I did not realise how many there are who still think that small political group, out of favour in Moscow and clearly Euro-Communist, is the front runner for a Soviet grand design. I don't believe it."

Mrs Joan Ruddock, CND chairman, insisted there were links between CND and the Kremlin.

He said that "much of the political leadership of CND is deeply political." He added: "Whether it be the chairman advocating an onslaught on Conservatives in marginal (parliamentary) seats or the general secretary enthusing over

MPs to examine Trident costs,"

Page 14

Print union moderates stance

BY DAVID BRINDLE

LEADERS of the general print union, Sogat '82, are expected to withdraw an instruction to members stopping production of the UK's largest circulation magazine, the Radio Times, and of the Listener, both published by the BBC, and printed by British Printing and Communications Corporation, the country's biggest print contractor.

The union's leadership faces not only a High Court injunction, granted on Friday to the BBC and BPCC, but also resentment among the members involved.

Mr Robert Maxwell, chairman of BPCC, believes disaffection is so strong that some of the printers will work today on the magazines with or without the official consent of Sogat.

Mr Bill Keys, general secretary of Sogat, said yesterday that he would not comment until he had seen the terms of the court order.

The injunction orders Sogat to cancel the instruction issued to members at BPCC plants at East Kilbride, Leeds and Bristol to take action in support of the dispute at the Park Royal works in West London.

Mr Maxwell, chairman of BPCC, believes disaffection is so strong that some of the printers will work today on the magazines with or without the official consent of Sogat.

The union's leadership faces not

"I like Lufthansa."

This is an authentic passenger statement.



P.T. ASTRA INTERNATIONAL, INCORPORATED
US\$25,000,000
Guaranteed Floating Rate Notes 1986.
In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from 30th November 1983 to 31st May 1984 the Notes will carry an Interest Rate of 10½% per annum. The Coupon Amount for this period for each principal amount of US\$25,000 is US\$2,636.98.
The Hongkong and Shanghai Banking Corporation Agent Bank
November 1983

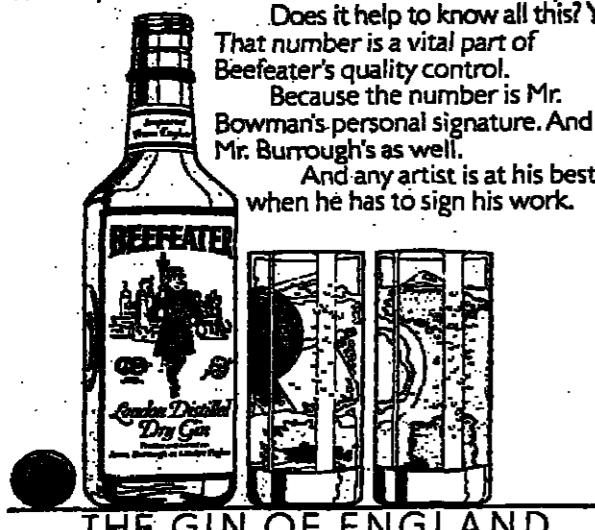
BEING KNOWN AS A NUMBER CAN BE A VERY PERSONAL THING

Look, for example, at the individual registration number on the back label of your bottle of Beefeater Gin. If it were JF1222146, it would tell you that your Beefeater was distilled Thursday, January 7, 1982, under the supervision of Thomas Bowman, Master Stillman, and that the distillation was approved personally by Mr. Norman Burrough, a direct descendant of our founder, before it was allowed to leave the distillery.

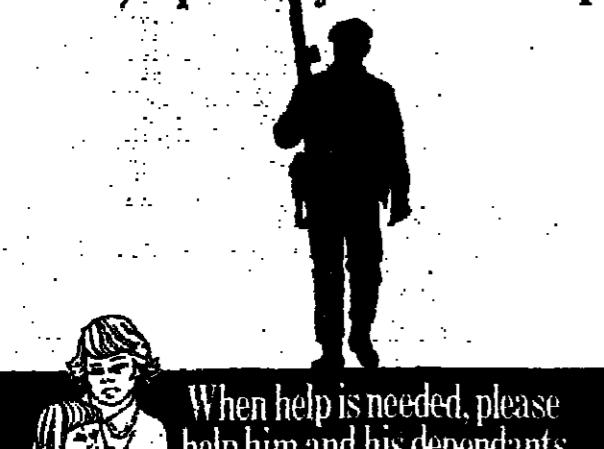
Does it help to know all this? Yes. That number is a vital part of Beefeater's quality control.

Because the number is Mr. Bowman's personal signature. And Mr. Burrough's as well.

And any artist is at his best when he has to sign his work.



In war, in peace, you need his help



Lufthansa
German Airlines

UK NEWS

Business Expansion Scheme stalls

BY TIM DICKSON

THE UK Government's Business Expansion Scheme (BES) is proving less popular with private investors than some City of London fund managers had originally hoped.

Despite some aggressive marketing in the last couple of months, certain fund providers privately admit that the public response has been disappointing. Aitken Hume, the industrial holding company, for example, only managed to raise £1.5m of the £2.3m required to get a private hospital project off the ground in the West Midlands last month - and had to return cheques to investors - while some of the recently launched managed funds have been struggling to attract adequate support.

Fierce competition is partly responsible with about 30 funds now on the market, but managers say that criticism of charges has influenced investors and that many still

do not understand how the scheme works.

The BES - first announced in this year's budget - allows individuals to claim tax relief at their top marginal rate on new equity investments in most unquoted trading companies (excluding those on the Unlisted Securities Market).

No individual can invest more than £40,000 under the scheme in any one year, and shares must be held for at least five years to qualify for the tax relief. But it nevertheless means that a £10,000 investment for a 75 per cent taxpayer costs effectively only £2,500.

Since early summer when the

scheme became law, investment managers, stockbrokers, merchant banks and assorted licensed dealers have been launching professionally-managed closed-end funds in an effort to match individuals willing to invest with unquoted companies seeking fresh capital. So far, between £25m and £30m has been raised but several funds are still accepting cheques.

By the end of this week, for example, the Britannia Business Expansion Fund, the Sabreline Business Expansion Fund, the Minister Trust 1983-84 Business Expansion Scheme Fund, and the County Bank First Business Expansion

Fund will all be closing their application lists. Hill Woogar and the Ravendale Befund will be open until later in the month.

Most managers were reluctant late last week to disclose how much is in the kitty thus far. But judging by the experience of other funds, investors tend to wait till the last possible moment to send in their cheques.

All admit, however, that recent criticism of management charges, which vary widely between funds, has dampened enthusiasm though managers argue forcefully that much of it has been unfair and ill-informed. Private businesses, they point out, require much more attention and investment management time than companies in a typical quoted portfolio.

The widespread publicity being given to the scheme, meanwhile, is encouraging a flood of new investment proposals.

Hambros starts interest rate hedging plan

By Mary Ann Sieghart

COMPANIES will be able to insulate themselves against movements in interest rates under a scheme launched today by Hambros Bank.

The service, called Forward Interest Rates Set Today, or 'First', enables customers to fix the interest rate on a loan or deposit up to six months in advance. The agreed rate will then hold for a maximum of six more months.

First will be available in sterling, dollars and most major currencies for a minimum transaction of \$100,000. A customer will specify the currency, amount, start date and period concerned of the loan or deposit and Hambros will quote an interest rate if the customer agrees to the rate, a contract is signed.

UK COMPANIES PAY HIGH LEVELS ON PROFITS

Business taxation 'low'

BY MAX WILKINSON, ECONOMICS CORRESPONDENT

THE BURDEN of business taxation in the UK is low in relation to output, compared with other major countries, according to a study published today.

The Institute of Fiscal Studies estimates that taxes levied directly on businesses in 1980 in the UK represented 13 per cent of national output.

This was similar to the ratio to output in the U.S., West Germany and Japan, but substantially lower than in Italy (18 per cent) and France (20 per cent).

However, business taxes represented a higher proportion of profits in Britain than in any other country except France. UK business taxes represented 93 per cent of corporate profits in 1980, com-

The authors caution that precise comparisons are difficult because of conceptual and other problems, and that the figures should only be used to give a broad picture.

In all countries, business taxes rose as a proportion of national income during the 15 years up to 1980. In the UK, for example, the proportion in 1965 was 9 per cent, compared with 13 per cent in 1980.

Analysis of the different types of business taxation showed that taxes on labour in Britain were relatively low as a proportion of the total payroll.

However, in the decade to 1980 the burden of taxation on labour costs rose in Britain, while the burden of capital taxes as a proportion of total payroll.

The study, by John Kay and Judi Sen, is summarised in the Institute's magazine *Fiscal Studies* published today.

How shrewd businessmen are enjoying first class comfort at a business class fare.

With Korean, first class comfort costs no more in Prestige business class.

When Korean Air Lines designed its new Prestige business class it used First Class on other airlines as its minimum standard.

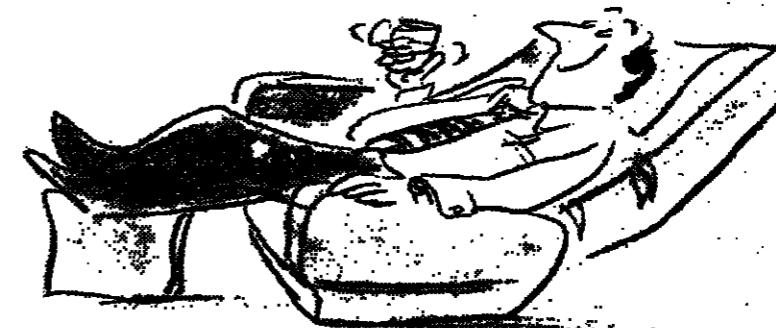
That's why there are only 24 seats, right up front, in our B747's. They're all exactly the same as those in our First Class - soft, leather-covered, luxuriously big and you have 41 inches of legroom.

First class comfort at a business class fare! Superb

food, two films en route (with First Class headset), an in-flight bar and all the top amenities you'd expect in the highly competitive world of business travel for you to enjoy on a flight that will seem almost too short! How wonderfully agreeable to make economies this way.

Prestige Class. The last word in first class comfort for business people.

Four flights weekly to Seoul: Direct from Paris every Thursday and Saturday at 13h00. Via Jeddah and Bahrain from Zurich every Wednesday and Sunday at 12h20.



KOREAN AIR LINES
We're honoured to serve you around the world.

Editor's Proof



Hundreds of newspapers and magazines in 35 countries are already using the Financial Times Syndication Service. Proof enough that you ought to find out more?

The FT Syndication Service provides publications of all sizes with access to the FT's worldwide news-gathering resources and unrivalled editorial expertise.

As a subscriber, your publication could benefit in several ways. You could receive a constant flow of international and City news. You could reproduce news and feature material from the FT itself as well as using specially-prepared syndicated articles. And

you could have instant access to the FT's exhaustive research facilities.

But there's much more to the FT than just business and finance news. We also provide incisive comment on topics such as politics, science and the arts.

The cost? It may well be less than you think.

To find out more, please contact our Syndication Manager, Dennis Kiley, at Bracken House, 10 Cannon Street, London, EC4P 4BY. Telex no. 8954871.

BUSINESS INFORMATION FOR SALE

I'm always needing information - financial statistics, details about competitors, insights into the economy . . . where can I get it all from?

Simple. From the Financial Times Business Information Service.



As a subscriber to the Financial Times Business Information Service, you can have access to all the information you need to make the right decisions. Because BIS is able to draw on the unmatched resources and expertise of the Financial Times, it is able to provide information on every area of business. And fast. Over the telephone. In a printed report. On microfiche. Or even via on-line computer links.

Detailed facts about every single quoted company in the UK and USA. Material from the Financial Times library, including files on 25,000 prominent personalities.

Information on every aspect of marketing, drawn from a wide variety of international sources.

Facts and figures on all manner of financial and economic topics, from exchange rates and employment statistics to export quotas and share prices.

In short, BIS places a complete research department at your command. You ask the questions. We provide the answers.

The cost? It can be as little as £250 a year, exclusively to subscribers, with the average enquiry costing £9.50. A fair price for getting the right information.

To find out how BIS can become your all-purpose source of business information, please return the coupon.

Your information is our business

BIS is a division of The Financial Times Business Information Limited, a wholly owned subsidiary of the Financial Times. Through its various divisions - which also include McCarthy, MIRAC, FINTEL and International Business Newsletters - the company is able to provide the business world with a comprehensive range of information services.

To The Marketing Department, FT Business Information Ltd, Bracken House, 10 Cannon Street, LONDON EC4P 4BY.

Please send me full details about the Financial Times Business Information Service.

Name _____

Position _____

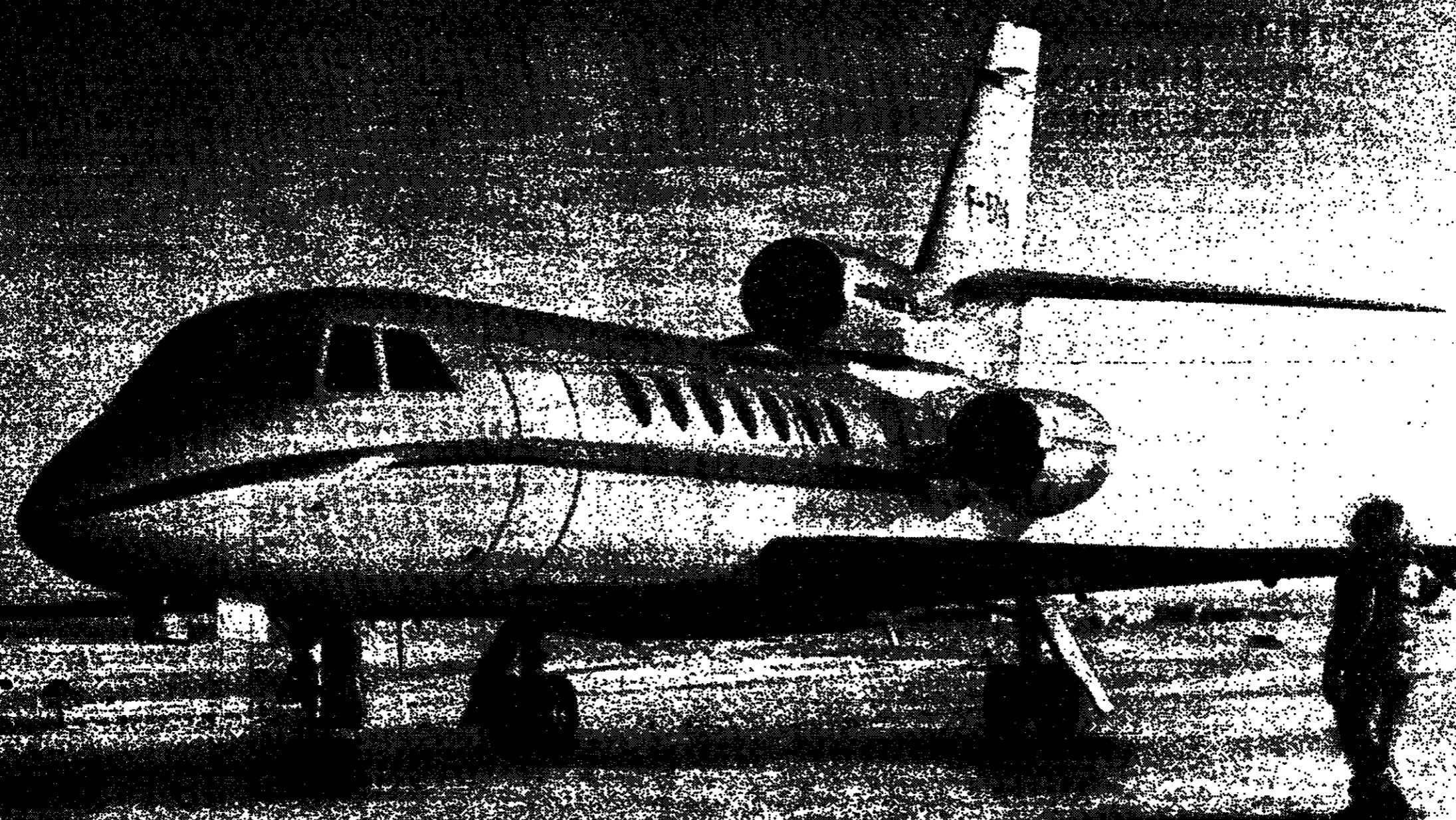
Company _____

Address _____

Telephone _____

Nature of Business _____

BUSINESS SUFFERS NO DELAY.



A businessman is a marathon man. From working break-fasts to meetings, his life is governed by a stopwatch, not by a clock. This sort of rhythm excludes short-breathed members from his team, the 100-metres record holders who cannot perform just as smoothly over a 10,000 metres distance.

Nearly 800 top executives, both in the public and private sectors, have experienced this vital efficiency with the Falcons, even when carrying out a mission in remote areas under severe climatic conditions.

Did you know, for instance, that during nearly 8 years the American transportation company "Federal Express" has subjected its 32 Falcon 20's "Cargo" to a gruelling pace which only an exceptional plane could withstand, with an availability ratio

during this period of 99,5 %. To achieve such a performance, you need a special breed of aircraft. Indeed the Falcon is the only corporate jet whose structure has been certified "without working life limit". For the Falcon users this means that they do not have to replace regularly such vital (and costly) parts as, for instance, a complete landing gear.

The Falcons are also the only aircraft for which the manufacturer has dared to issue a guarantee reaching 10 years/

10,000 flying hours. All of which stems from the often-mentioned fact that the Falcon is a real airliner built like a fighter plane.

But we keep talking while time goes by. Quick, take off! Business suffers no delay.

A special information kit on the Falcon 100, 200 and 50 has been prepared. To obtain it, please send your card to Paul Delorme, Dassault International, 27 rue Victor-Pauchet, 92420 Vaucresson, France, or just call him at the following number : (1) 741.79.21.

Dassault International

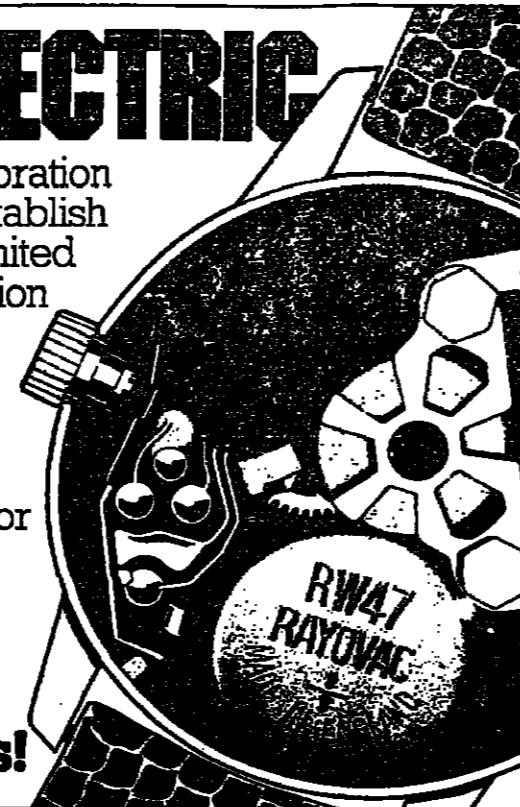
Business takes off with Falcon

WASHINGTON ELECTRIC

To help Rayovac Micro Power Corporation (world leaders in micro-power batteries) establish their first manufacturing plant outside the United States, Washington Development Corporation produced a Complete Relocation Package. This specially prepared package included comprehensive information on schools, housing, transport, recreation, the arts and workforce in Washington.

If you want to boost your success, phone or write to Norman Batchelor, Washington Development Corporation, Usworth Hall, Washington, Tyne & Wear. Tel: (091) 416 3591. Telex: 537210 DC WASH G.

* Washington. In a word, success!



**Speak french in three weeks.
Speak le français in three weeks.
Parlez le français in three weeks.
Parlez le français en trois semaines.**

Isn't it hard enough competing for business abroad without a language barrier adding to your problems?

Yet at Berlitz learning French, or any other language, couldn't be easier.

Opt for a "Total Immersion" course and you could be speaking your chosen language in as little as three weeks. Or, if you prefer, you can learn at a more leisurely pace.

Either way, there's no quicker way of learning than with the

LONDON (01) 580 6482 BIRMINGHAM (021) 643 4334 EDINBURGH (031) 226 7198 LEEDS (0532) 435536 MANCHESTER (061) 228 3607.

Berlitz method.

What's more, because you're taught on a one-to-one basis, we can tailor your course to your specific business needs.

For a free demonstration lesson, ring us on one of the numbers below.

Et voilà! Before you know it you'll be speaking a foreign language.

BERLITZ®

HIGH PRECISION



AIR FRANCE AIRCRAFT INSTRUMENT MAINTENANCE:

THE ELECTRONIC INSTRUMENTS USED IN OUR AIRPLANES ARE AMONG THE MOST SOPHISTICATED AVAILABLE. THE MAINTENANCE AND REGULATING OF THIS WEATHER RADAR CALL FOR THE HIGHEST DEGREE OF COMPETENCE AND PRECISION FROM THE AIR FRANCE TECHNICIANS. THIS LEVEL OF PRÉCISION IS JUST ANOTHER EXAMPLE OF THE HIGH RELIABILITY YOU FIND WHEN YOU FLY AIR FRANCE.

AIR FRANCE // WE'RE AIMING EVEN HIGHER

Innovation of drugs 'deterred by costs'

By David Fishlock, Science Editor

THE RISING costs and risks of pharmaceutical development are obliging drug companies to concentrate on certain well-researched problems and to neglect the rest.

Companies are not compensated for going bankrupt in the search for socially desirable but uneconomic drugs, says a report on the future of pharmaceutical innovation, published today.

The study, made by the Office of Health Economics, a London-based "think-tank" funded by the British pharmaceutical industry, finds the current environment discouraging to innovation in treating many diseases such as Parkinson's disease, which afflicts about 60,000 to 80,000 people in Britain, and multiple sclerosis, which afflicts about 50,000.

It costs between £50m and £100m, over 10 years or more, to perfect a major contribution to drug therapy. More than half the money goes into controlled testing of the drug on patients before the drug can be marketed.

The study finds no reason for thinking that medical science itself is running out of good ideas for new drugs. It argues that economic and not innovative constraints are holding back therapeutic progress.

Pharmaceutical Innovation: Recent trends, future prospects. Published by the Office of Health Economics, 12 Whitehall, London SW1A 2 DY. £1.

BY PETER RIDDELL, POLITICAL EDITOR

THE FINANCIAL arrangements

for the purchase of the Trident

nuclear missile system by the British

Government from the U.S. are to be

examined by the main parlia-

mentary watchdog.

The aim is to avoid a repetition of previous occasions when major de-

fence projects, notably the Cheva-

line modernisation of the UK nu-

clear deterrent, were not reported to

parliament until after a large es-

calation in costs.

Last March, the Ministry of De-

fence estimated that Trident would

cost roughly £7.5bn at 1982-83

prices. However, about 45 per cent

of this sum will be spent in the U.S.

and the fall this year in the sterling

exchange rate against the dollar

may significantly increase the cost.

In addition, there have been

some reports from the U.S. of cer-

tain problems with the develop-

ment of the submarines, which may

also affect the cost.

The Trident inquiry is one of

many subjects which Mr

Downey recently discussed with

the members of the Public Accounts

Committee, which is chaired by Mr

Robert Sheldon, a former Labour

Financial Secretary to the Treas-

ury.

Among other issues likely to be

examined over the next year for

possible investigation by the com-

mittee are the "black" or hidden

economy and the related Keith Re-

port on the Inland Revenue's pow-

ers of investigation. The operation

of home improvement grants, er-

rors in estimating public sector bor-

rrowing and motorway repairs may

also be considered.

After a recent comment by Mr

Downey on government accounts,

the committee is likely to look at

the workings of the premature re-

irement scheme in the National

Health Service and at the evasion

by motorists of vehicle excise duty.

The MPs will look at well as the

costs and impact of the sale of gov-

ernment shareholdings in British

and in Associated British Ports.

This follows a highly critical report

last year by the same committee on

the methods, and cost for the tax-

payer, of the privatisation of British

Aerospace and of Amersham Interna-

tional.

Mr Downey and his staff have

been preparing a programme of

work for the next year or so, includ-

ing suggestions from MPs on the

committee. Preliminary studies will

be undertaken to see whether more

detailed inquiry is justified.

Bill to free

spectacle price published

By Gareth Griffiths

THE GOVERNMENT today pub-

lishes a Bill covering ophthalmic

services, which it believes will "lead

to more competition, better services

and lower prices," but which its cri-

cits say will mean higher spectacle

prices for perhaps most consumers.

Mr Norman Fowler, the Social

Services Secretary, wants opticians

to be able to advertise, and retailers

other than opticians to sell specta-

cles over the counter, provided the

customer has a prescription written

in the preceding two years. The

supply of National Health Service

spectacles is to be restricted to

children and people on low incom-

es. Sight tests, which run at

about 10m a year, will continue to

be free.

There has been a mixed response

from opticians as to the likely ef-

fects of the proposed changes, due

to become law in June. The end of

the general supply of NHS specta-

cles is planned for April, 1985.

Mr Clive Stone, chairman of Dol-

land and Aitchison, the UK's larg-

est opticians group, said: "The ef-

fect of these changes on opticians

will be quite startling. We could re-

duce our private spectacle prices by

between 15 per cent and 25 per cent

across the entire range."

The Government's argument is

that the opticians' sector has been

distorted by NHS provision, rigid

controls on advertising and a sales

monopoly introduced in 1958.

Ministers say that once those ob-

stacles to market forces have been

removed, the high price of private

spectacles will come down. There is

no intention to compromise any

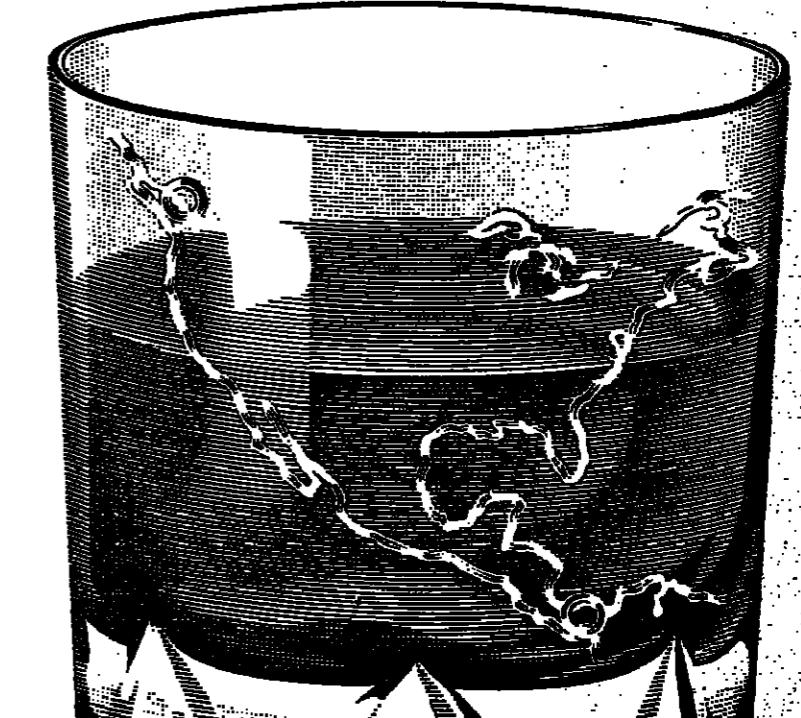
part of the Bill, although negotia-

tions will start next year with op-

ticians on how to operate the new

scheme.

From Vancouver To Panama.



Johnnie Walker Red Label

THE CLASSIC SCOTCH WHISKY ANYWHERE.

APPOINTMENTS

New chief for Plessey company

Mr F. K. Chorley has been appointed executive chairman of PLESSEY TELECOMMUNICATIONS AND OFFICE SYSTEMS (PTOSL). He is also appointed a deputy chief executive of the Plessey Group, a member of the chief executive office. Mr Chorley, who has been with the Plessey Company since 1974, moves to PTOSL from Plessey Electronic Systems (PESL), where he has been deputy chairman and managing director. Mr Eric Clark has been appointed managing director of PTOSL with responsibility for both UK and US operations. Mr Clark, chief executive of Plessey Telecommunications Limited, a subsidiary of PTOSL.

* Mr John R. Walker has been appointed deputy managing director of DOWTY MINING EQUIPMENT. He was technical director. Mr James Masson has been appointed executive director-commercial. Mr Alf Lawton, as regional director,

Birmingham, responsible for all junior management training.

Mr Geoffrey Parsons has been appointed a non-executive/director of THE MARKET AND WRIGHT GROUP.

Herr Hilmar Kopper, member of the board of managing directors of Deutsche Bank, and non-executive chairman of Flachglas—a Pilkington group member—has been appointed a non-executive member of the board of PILKINGTON BROTHERS.

* Mr Frank Hemsworth has become sales director of UNIPART INTERNATIONAL. He was marketing services director.

Mr Rosemary Brown has been appointed director of business development, C & K CONSULTING GROUP.

Mr Michael Evans, until recently deputy chairman and director of the management board of pharmaceutical manufacturers Siegfried AG of Switzerland, has been appointed director general of the DAIRY TRADE FEDERATION. He con-

tinues with his current appointment as a non-executive director of Laporte (Holdings).

* Mr John C. Milne, chairman of STAFFORDSHIRE BUILDING SOCIETY on December 31. Mr Peter Brown has been named as chairman-designate. Mr Brown joined the Society's board in 1978 following the merger with the Staffordshire County Permanent Building Society of which he was a director.

Mr Christopher Kirman has resigned as managing director of TR NATURAL RESOURCES INVESTMENT TRUST but remains a director. Mr Peter Kyel has been appointed manager of the company. Mr Kyel has been with the Touche Renstam Group for the past five years as an analyst and fund manager with special responsibilities in the mining area.

* Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc., Los Angeles, will be assumed by Mr Raymond Smyth, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

Mr Anthony Camping has joined HOUSTON FINANCIAL SERVICES as director of corporate finance.

* Following the retirement of Mr Tony Hooper, Mr Miles Roberts, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by Mr Geoffrey Stocks. Mr Peter Adams replaces Mr Stocks as managing director.

RECKITT & COLMAN has appointed Mr Owen T. Farmer from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1981. In 1982 he was appointed chief executive of BPL but is also appointed publisher of education equipment. Mr James Secker, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

* BOUSTEAD has appointed Date' Abdillah Mohamad to the board. He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

Mr John Coleman has been appointed managing director of WESTLAW & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Inc., Chester. He will succeed Mr Paul Squire who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF by in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

* Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed Mr Richard L. Desmond who has left the company to take up another appointment.

Mr Gustav Friedrich zu Salin, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CML, CROWN MOUNTAIN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. Mr Giovanni Emanuele Capellista and Mr Jim Peacock have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

* Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc., Los Angeles, will be assumed by Mr Raymond Smyth, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

Mr Anthony Camping has joined HOUSTON FINANCIAL SERVICES as director of corporate finance.

* Following the retirement of Mr Tony Hooper, Mr Miles Roberts, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by Mr Geoffrey Stocks. Mr Peter Adams replaces Mr Stocks as managing director.

RECKITT & COLMAN has appointed Mr Owen T. Farmer from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1981. In 1982 he was appointed chief executive of BPL but is also appointed publisher of education equipment. Mr James Secker, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

* BOUSTEAD has appointed Date' Abdillah Mohamad to the board. He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

For personal reasons, Mr S. H. Wright has resigned as chairman and chief executive of INTERNATIONAL COMMERCIAL BANK. For the time being Mr K. F. Elmsfield will act as chairman and chief executive.

*

EXETER TRUST has appointed

Date' Abdillah Mohamad to the board.

He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

*

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

Mr John Coleman has been appointed managing director of WESTLAW & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Inc., Chester. He will succeed Mr Paul Squire who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF by in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

*

Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed Mr Richard L. Desmond who has left the company to take up another appointment.

Mr Gustav Friedrich zu Salin, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CML, CROWN MOUNTAIN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. Mr Giovanni Emanuele Capellista and Mr Jim Peacock have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

*

Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc., Los Angeles, will be assumed by Mr Raymond Smyth, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

Mr Anthony Camping has joined HOUSTON FINANCIAL SERVICES as director of corporate finance.

* Following the retirement of Mr Tony Hooper, Mr Miles Roberts, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by Mr Geoffrey Stocks. Mr Peter Adams replaces Mr Stocks as managing director.

RECKITT & COLMAN has appointed Mr Owen T. Farmer from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1981. In 1982 he was appointed chief executive of BPL but is also appointed publisher of education equipment. Mr James Secker, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

*

BOUSTEAD has appointed Date' Abdillah Mohamad to the board. He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

*

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

Mr John Coleman has been appointed managing director of WESTLAW & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Inc., Chester. He will succeed Mr Paul Squire who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF by in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

*

Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed Mr Richard L. Desmond who has left the company to take up another appointment.

Mr Gustav Friedrich zu Salin, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CML, CROWN MOUNTAIN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. Mr Giovanni Emanuele Capellista and Mr Jim Peacock have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

*

Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc., Los Angeles, will be assumed by Mr Raymond Smyth, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

Mr Anthony Camping has joined HOUSTON FINANCIAL SERVICES as director of corporate finance.

* Following the retirement of Mr Tony Hooper, Mr Miles Roberts, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by Mr Geoffrey Stocks. Mr Peter Adams replaces Mr Stocks as managing director.

RECKITT & COLMAN has appointed Mr Owen T. Farmer from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1981. In 1982 he was appointed chief executive of BPL but is also appointed publisher of education equipment. Mr James Secker, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

*

BOUSTEAD has appointed Date' Abdillah Mohamad to the board. He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

*

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

Mr John Coleman has been appointed managing director of WESTLAW & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Inc., Chester. He will succeed Mr Paul Squire who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF by in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

*

Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed Mr Richard L. Desmond who has left the company to take up another appointment.

Mr Gustav Friedrich zu Salin, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CML, CROWN MOUNTAIN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. Mr Giovanni Emanuele Capellista and Mr Jim Peacock have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

*

Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc., Los Angeles, will be assumed by Mr Raymond Smyth, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

Mr Anthony Camping has joined HOUSTON FINANCIAL SERVICES as director of corporate finance.

* Following the retirement of Mr Tony Hooper, Mr Miles Roberts, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by Mr Geoffrey Stocks. Mr Peter Adams replaces Mr Stocks as managing director.

RECKITT & COLMAN has appointed Mr Owen T. Farmer from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1981. In 1982 he was appointed chief executive of BPL but is also appointed publisher of education equipment. Mr James Secker, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

*

BOUSTEAD has appointed Date' Abdillah Mohamad to the board. He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

*

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

Mr John Coleman has been appointed managing director of WESTLAW & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Inc., Chester. He will succeed Mr Paul Squire who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF by in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

*

Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed Mr Richard L. Desmond who has left the company to take up another appointment.

Mr Gustav Friedrich zu Salin, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CML, CROWN MOUNTAIN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. Mr Giovanni Emanuele Capellista and Mr Jim Peacock have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

*

Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His responsibilities as chief executive of Franciscan Ceramics Inc., Los Angeles, will be assumed by Mr Raymond Smyth, who will become president of that company in addition to his continuing position as president Josiah Wedgwood & Sons Inc.

Mr Anthony Camping has joined HOUSTON FINANCIAL SERVICES as director of corporate finance.

* Following the retirement of Mr Tony Hooper, Mr Miles Roberts, becomes chairman of THE TAUNTON CIDER CO and is succeeded as managing director by Mr Geoffrey Stocks. Mr Peter Adams replaces Mr Stocks as managing director.

RECKITT & COLMAN has appointed Mr Owen T. Farmer from May 1 as group director of personnel in London. An Australian, he joined Reckitt & Colman Australia in 1981. In 1982 he was appointed chief executive of BPL but is also appointed publisher of education equipment. Mr James Secker, a director and company secretary of Benn Brothers, is appointed chairman of Farm Holiday Guides.

*

BOUSTEAD has appointed Date' Abdillah Mohamad to the board. He has also joined the board of the Singapore-based subsidiary Boustead Singapore. He is also executive director of Promet Berhad, deputy group chief executive of Amalgamated Properties and Industries Berhad and chairman of Public Corporation Berhad.

*

PTP paperboard packaging company based in Romiley, Cheshire, has appointed Mr D. G. Summers as managing director of its general products division. He has also been elected to the board of TPT. He was general

manager, general products division.

*

Mr John Coleman has been appointed managing director of WESTLAW & YORKSHIRE FERTILISERS, a wholly-owned subsidiary of UKF Fertilisers of Inc., Chester. He will succeed Mr Paul Squire who is to take up a senior position in the commercial department of UKF Fertilisers' parent company UKF by in Utrecht, Netherlands. Mr Coleman will continue as finance director of UKF Fertilisers.

*

Mr Brian G. Barker has been appointed group treasurer of BABCOCK INTERNATIONAL to succeed Mr Richard L. Desmond who has left the company to take up another appointment.

Mr Gustav Friedrich zu Salin, previously with Hill Samuel & Co and Anthony Gibbs and Sons, has joined CML, CROWN MOUNTAIN LIMITED (CML), London-based subsidiary of the Chase Manhattan Capital Markets Group, as executive director, with new business responsibility for Austria, Germany and Switzerland. Mr Giovanni Emanuele Capellista and Mr Jim Peacock have been promoted to executive directors of CML. They will continue their previous responsibilities for new business within the European area.

*

Mr James Moffat has been appointed assistant managing director of WEDGWOOD from January 2. His



Is this how your stomach feels when you start a new leasing transaction?

When you arrange a new leasing transaction it can be a nerve-racking experience; after all, it's not something most people do every day.

Unfortunately, it's not something most banks do every day, either.

So you've every right to be nervous. Unless you come to Bank of America.

Being a leader in this field, we have recently been responsible for arranging £160,000,000 worth of assets for British industry. The transactions ranged from leasing commercial

vehicles to semi-submersible drilling rigs, and our roles ranged from lease advisor on large and small transactions to placement agent.

A volume and range of transactions as wide as this means that we have day-to-day contact with the market, and that, unlike some other organisations, we can provide you with all the facilities you require ourselves.

It also means that we really do know what's going on; we know just what lessor will suit a new lessee, just

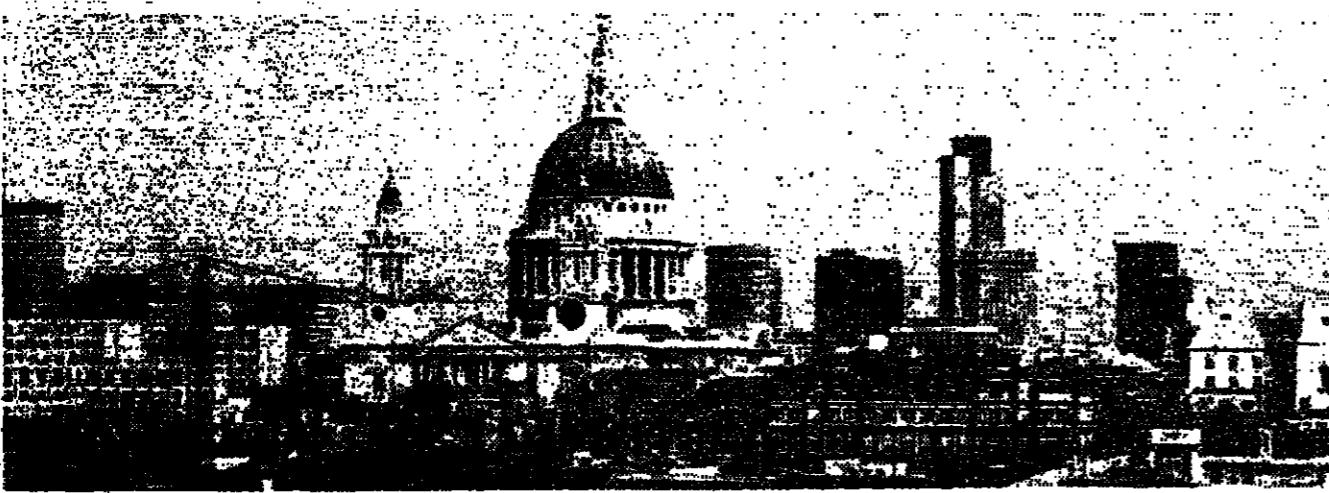
how to judge the rental profile, terms and conditions inherent in a leasing package, and exactly how to make the most efficient use of the current tax and legal environment.

If you're considering leasing, call 01-236 2010 and ask for the Leasing Services Group. It'll be a lot simpler in the long run.

Look to the Leader

BANK OF AMERICA 

THE ARTS



The City is disappearing under a wave of bad architecture—will this view survive?

Architecture/Colin Amery

From Splendour to Banality

If, as Shelley said "Hell is a city much like London," then those neither regional nor mass-produced, of faceless office blocks occupied by tortured souls waiting for their next period of relief from the daily grind. To get some idea of what that city of night that Babylon in all desolation might look like, take a walk around the Square Mile on a grey December day. To ensure that you can really enjoy the total gloom and to indulge your depression to the full, carry with you a copy of a recent slim volume of pictures compiled and published by that stalwart and honest band of civilised folk who comprise the SAVE Britain's Heritage group.

Their book, and I am sending it for Christmas to the Secretary of State for the Environment and all his henchmen, is called *From Splendour to Banality: The Rebuilding of the City of London 1945-1983*. It is worth every penny of the £5 it costs to have it sent to you from SAVE, whose address is 68 Battersea High Street, London, SW11.

It tells a terrible tale. First of all it is important to realise what the story is about. It is not the account of a city lost in war, fire or pestilence. It is the cool description of a city that completely lost the opportunity offered by wartime destruction to rebuild with beauty and humanity. But worse than that, it tells of a city that continued to destroy itself by tearing

down most of the decent buildings that had been spared by enemy bombs. Future generations, if they come to the City at all, will think that the City fathers of the post-war period suffered a collective loss of civilised values and turned official vandals. The sack of the City of London was the act of its own nominal leaders—159 councillors and 25 aldermen elected on an archaic franchise, totally unreformed since the 13th century.

Of course, the SAVE book tells a biased story but it does tell it with pictures and it is difficult for the visual evidence to lie. They are right when they say that the appearance of the City today is a record of the planning policies of the late 1940s when the will to reconstruct and rebuild the past was strong. It was the amalgamation of small sites into large ones—the Corporation's "units of re-development"—that killed the City's character.

Necessary road widening clearing spaces around monuments that were designed to be seen quite differently, the decline of residential accommodation—Barbican notwithstanding—all these factors have killed the City. But the chief reason for the sheer lack of beauty in the City today is the low, low standard of the new architecture of the post-war building boom.

Where the vision really failed was in the failure to grasp the opportunity to

recreate something of Sir Christopher Wren's skyline. Although by 1945 there were only 23 Wren churches left from the 53 he designed, the remaining towers and spires suggested the glorious progression of scale that Wren planned to lead to his great dome. Although the churches have often been more carefully restored, their place in the skyline has been totally eliminated. The exposure of some of the churches to the motorway world of Lower Thames Street, St James Garlickhithe and St Benet Paul's Wharf in particular, is totally philistine

The SAVE book is a chilling indictment of post-war planning and architecture. Is the future any brighter? There is a sizeable list of future demolitions and horrifying view of the proposed Wimpey building (architects Fitzroy Robinson and Partners) at Finsbury Circus, where the buildings to the North of the cathedral (architects Treadearne and Norman, Preston and Partners) could not be less inspired or appropriate for that important site. Similarly, the landscaping south of the cathedral is too uncordinated and miniature for such an important area, and the choir school (architect Leo de Sylas of the Architects' Co-partnership) now looks jagged and unsympathetic.

There are some positive warnings we should keep alert to preserve the informal and pleasant quality of the Smithfield area, be wary around Spitalfields, watch for the continuation of London Wall both east and west, and be vigilant about all historic buildings.

It is hard to imagine the city of the 21st century. This report sounds a warning that things could descend from banality to utter banality.

Jean Seberg/Olivier

Michael Coveney

Some shows just never make their own luck. Peter Hall's National Theatre production of Jean Seberg has had more than its fair share of favourable advance publicity, but it has always had to combat the niggling complaints of those (myself included) who were concerned about our most heavily subsidised theatre presenting the work of a Broadway team of composer Marvin Hamlisch, librettist Julian Barry and lyricist Christopher Adler.

It tells a terrible tale. And that is precisely what the first choice actress for Seberg did. Then J. Edgar Hoover sprained an ankle. But all at last is well and there is no denying that Jean Seberg is, in parts, an extremely powerful piece of work, a tragic cantata in the style of *The Seven Deadly Sins* by Brecht and Weill, that tells its grim story with conviction, a lucidly well-organised book by Mr Barry and few concessions to good taste.

Jean (Elizabeth Cunnell) is first seen nodding pile in the white Renault in the Paris street where, ten days later, she was found wrapped in a blanket

on the back seat. She had been dead 10 days. She tells the marines she is about to re-make the trial scene in *Saint Joan*, her first movie for which director Otto Preminger plucked her from obscurity in Iowa.

On the film set, the Dauphin

throws off his black cloak to bring charges as Hoover, head of the FBI. From this moment the rich duality of the central role is shared by Miss Cunnell looking back and Kelly Hunter as Young Jean living through her nightmare career. Both on film and in life, the show says, Jean Seberg was burnt at the stake.

She is the victim of Pre-

minger's bully boy tactics; of

the Press for her disastrous performance in *Saint Joan*, her

status as totty of the New

Year after appearing in Jean

Luc Godard's *Breathless*; of her

own naivety in falling in with the Black Panthers; and,

finally, of a vicious FBI cam-

paign conducted to discredit her in the public eye. In a peculiarly macabre sequence, Jean

loses her baby and returns with the corpse in a tiny coffin to Marshalltown. She opens the lid to prove the baby was white

and to disprove the FBI smear.

This last gesture has been interpreted in some quarters as racist, but Jean is by now severely unringed. The once pink, in white coats and white masks, mask of the show's

most tastelessly sardonic num-

ber, "It's the Least We Could Do," lacing a stock Broadway fixed-mime and dance routine with the bitter hemlock of impersonal caring.

A cynic might say that, with

a good PR agent by her side,

none of this need have hap-

pened. But Seberg was a strong-

willed girl with definite views.

She had joined the local branch

of the National Association for

the Advancement of Coloured

People at the age of 14. Mr

Barry—and much of his work

recalls his Lenny Bruce show

sounds a warning that things

could descend from banality to

utter banality.

The material is smartly locked

together, even to the poignant

touch of the fading image of

Seberg advertising the Herald

on the back seat. She had been

dead 10 days. She tells the

marines she is about to re-make

the trial scene in *Saint Joan*,

her first movie for which director

Otto Preminger plucked her

from obscurity in Iowa.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that things

could descend from banality to

utter banality.

It is hard to imagine the city

of the 21st century. This report

sounds a warning that

FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4P 4BY
Telegrams: Finantimo, London PS4. Telex: 8954871

Telephone: 01-248 8000

Monday December 5 1983

Freer trade in Europe

BY AGREEING on a bilateral programme of collaboration in telecommunication, France and West Germany have made a start at breaking down national barriers in a major European industry whose fragmented structure has long resisted the impact of the Common Market.

Wisely perhaps, in view of the mixed fortunes of some earlier European attempts at industrial co-operation, the two countries have set modest initial goals. Their first priority is to set up jointly a cellular mobile radio system for which equipment will be supplied by both French and German manufacturers. But they clearly see their agreement as a stepping-stone to wider reciprocal telecommunications deals in the future.

Though Britain would have been welcome to join in, it has not done so. It is still heavily preoccupied with the liberalisation of its own market and the forthcoming privatisation of British Telecom.

Earlier this year, the UK opted for a U.S. cellular radio system incompatible with the planned Franco-German standard. The official reason was that prospective system operators were keen to get started as soon as possible and did not want to wait around for a European agreement which might never materialise.

Regrettable

With hindsight, that seems regrettable. Common standards would not only free mobile radio users to roam across national frontiers; they would also help create a larger market, by permitting greater economies of scale in manufacturing which could reduce equipment prices.

The European Commission has recently been arguing along these lines in a renewed campaign for common telecommunications policy. Harmonising disparate regulations and operating national markets would, the Commission contends, speed up investment in modern communications networks and stimulate development of a technologically advanced industry able to compete with the US and Japan.

Its case has won some support in the Council of Ministers, which has set up a special committee to discuss further action. The council effectively acknowledged for the first time that telecommunications was too important to be left entirely in the hands of the national monopoly carriers, the PTs. Achieving practical progress

is taking cautious steps towards freer trade.

IMF medicine in Yugoslavia

CALL IN the International Monetary Fund doctor early, and its medicine can be applied and take effect quickly. That is the lesson from the many countries which have left it so late to call the IMF in that it has had no choice but to prescribe the economic scalpel. But does it always hold?

Yugoslavia seems an important exception. It asked the IMF in at the start of 1981. Three years later, with rampant inflation threatening its export and debt servicing gains, it is appealing to the fund for another standby programme.

Today, as the Yugoslavs meet IMF officials in Belgrade and their commercial bank creditors in London, and before Yugoslavia takes another course of medicine, they should all ponder whether the original dosage was right.

Manageable

Yugoslav exports to the West have done splendidly this year, up 27 per cent in the first 10 months.

But the main reason for the export success has been very rapid IMF-prescribed depreciation of the Yugoslav dinar, down 80 per cent against a basket of Western currencies in the first nine months and still falling. This has fed through into domestic inflation, now at a post-war record of around 50 per cent and still accelerating.

The IMF believes that price controls, which it persuaded the Belgrade Government to abandon this summer, distort market forces. So far the Fund is phlegmatic about Yugoslav inflation. It argues that some extra inflation is the inevitable consequence of devaluation, and not totally unwelcome because, coupled with tight money policy, it is part of the necessary adjustment in reducing deficits.

But some Yugoslav economists think the IMF and the Government have got it seriously wrong, and that inflation will get right out of hand without a return to some direct wage and price controls.

In practice, neither the monetarist nor the administrative approach to inflation works in Yugoslavia, because it is a hybrid of orthodox capitalism and communism, without the

TOMORROW'S communique from the European summit in Athens will almost certainly refer with satisfaction to the economic recovery which has now begun in much of Europe.

It is less likely to mention, however, that "recovery" in 1984 will see less economic growth than the worst year of recession the European Community ever experienced from its foundation up to 1975.

Neither will the leaders wish to emphasise the European Commission's latest official forecast, that unemployment will rise in every one of the EEC's 10 member countries during next year's "recovery."

They will probably also avoid observing that private economists who look beyond 1984 generally see little further improvement in Europe's performance in 1985 and a marked deceleration of growth by 1986.

It is not just because they are professional politicians that Europe's leaders will play down the gloomier aspects of these economic projections. There are two sets of deeper reasons.

Some, like Mrs Margaret Thatcher in Britain and Chancellor Helmut Kohl in West Germany, believe that deliberate attempts to stimulate faster short-term growth are irresponsible. "Quick fixes" in the economy as a whole and not just the individual economies of Europe impose constraints which have repeatedly thwarted attempts by individual governments to pursue macroeconomic policies inconsistent with those of their neighbours.

These pressures lie behind France's quest for European partners. No longer able to support two large telecommunications manufacturers, it received national PTs insisted on a limited opening up of the French market to preserve competition.

Bilateral deals offer a partial solution to this problem and may point towards genuine liberalisation of European telecommunications markets. But there are many challenges still to be faced. Governments must recognise that freer competition may produce casualties in some parts of the European industry, while strengthening others.

More competition is likely to come from successful companies based in North America and Japan. In some quarters, their presence may be viewed as an undesirable threat to indigenous European manufacturers.

There is a risk that such attitudes could fuel pressure to give local manufacturers preference as European markets are liberalised. That would be a retrograde step. Telecommunications is a world industry. Substituting an EEC "ring fence" for today's patchwork of national barriers would not only blur the picture of international competition. It could also invite overseas retaliation at a time when the U.S. market is more open to outsiders than ever before and when Japan is taking cautious steps towards freer trade.

The Commission's forecast of 1.5 per cent growth in 1984, after a mere 0.5 per cent this year, may be feasible in comparison with the annual growth rates of 4 to 5 per cent achieved by President Ronald Reagan's expansionary policies in the U.S. but "an economic policy analogous to that in the U.S. cannot be adopted by the Community," the Commission firmly asserts.

But are Europe's governments any less as impotent as they feel? Are there really no faster-acting macroeconomic policies, on money, budgets and exchange rates which could strengthen the recovery in Europe without undermining the structural microeconomic reforms that will take many

years to produce their full results?

The answers depend largely on whether governments recognise the challenges and opportunities of managing the European economy as a whole and not just the individual economies of Europe.

For, on the one hand, the interdependence of the national economies of Europe imposes constraints which have repeatedly thwarted attempts by individual governments to pursue macroeconomic policies inconsistent with those of their neighbours.

These constraints are more binding even on the biggest European economies, like Germany and France, than they are on the U.S. and Japan. On the other hand, the size of the European economy as a whole and its predominant position in world trade gives European governments far more potential room for manoeuvre than any one of them could hope for, acting on its own.

The obstacles to any further institutionalised cooperation on macroeconomic policy, along the lines of the European Monetary System, may be insuperable at present. But, even without an institution like the EMS, there is much that Europeans could achieve simply by becoming more conscious of the constraints and opportunities they face as a result of belonging to Europe. Consider two examples.

The larger European economies, such as Germany, France and Britain, generate between 20 and 30 per cent of their gross national products from exports. For the smaller countries, the export shares are even larger, for example 57 per cent in the Netherlands and 72 per cent in Belgium. Now, over half the exports from all EEC countries go to other parts of Europe. In Germany's case Europe takes 67 per cent of

exports. Britain has the lowest proportion of exports to Europe, at 54 per cent, of which 41 per cent are sold to the EEC and 13 per cent to other European countries.

This means that at least 10 per cent of each country's economy depends directly on its exports from and hence the policies being pursued by its neighbours.

The most obvious conclusion which follows from this interpenetration between the markets of all the European countries is the one which President Mitterrand initially ignored, to his country's great cost. It is

cent between the first half of 1982 and the second, it became far more difficult for Germany to maintain the traditional export-led recovery which had shown signs of developing in the first six months of 1982. The French decision to devalue the franc in 1983 was by no means the only factor in Germany's disappointing performance last year—exports to Opec members over-indebted Third World countries and the Communist world all suffered even more weak currencies give them no alternative to export-led growth.

Something less ambitious than full-scale co-ordination of macroeconomic policies would have been sufficient to improve the record of government economic management in the past few years. Even if European governments had merely consulted each other about their plans for domestic economic policy and reflected on their degree of inter-dependence, it might have been possible to moderate the damage caused by the inflationary fiscal in France or Germany's vain attempt to pursue export-led growth just as it had successfully persuaded its main trading partners to defer their domestic economies.

The relentless rise of the U.S. dollar over the past three years provides a second example of how a European perspective might have produced better economic policies in several European countries.

The European attempts to defend their currencies against the rising dollar have been among the biggest factors restraining domestic policies and closing off options for faster economic recovery. In countries like the UK and Germany in particular, where fiscal stimulus was ruled out for political or long-term budgetary reasons, the hopes that reductions in budget deficits and inflation would promote growth through dramatic reductions in interest rates were disappointed.

In part, at least, this was because governments and central banks chose to maintain tight monetary conditions.

The alternative of allowing a

devaluation would make a kets, Germany's own growth rate will fall short of the 2 to 2.5 per cent range predicted by most forecasters. This in turn will dampen export hopes and domestic growth rates in countries like France and Italy where weak currencies give them no alternative to export-led growth.

What this means is that market conditions in Europe should actually have a bigger impact on international import prices than conditions in the U.S. Even though many prices may be set in dollars, it will generally be supply and demand in the world market as a whole which these prices ultimately reflect.

Over the past three years, this is just what has been happening to many European import prices. Britain's experience is instructive: Although the pound has fallen by nearly 40 per cent against the dollar, it has declined by only 6 per cent against the European currency, and fears of rapid inflation fuelled by the dollar-based import prices have not materialised.

The fall in the price of oil

earlier this year could have provided theatching evidence

against the "dollar illusion"

that dollar-dominated prices were somehow sustainable and that domestic sacrifices were worthwhile to limit the rise of the dollar.

The official price of oil fell from \$34 a barrel, where it stabilised in October 1981, to \$15 a barrel in March this year—a decline of 17.5 per cent. In the same period the dollar rose against the Ecu (a representative "council" of all the EEC's currencies) by 17.5 per cent. Thus the fall in the dollar price of oil exactly offset the Ecu's rise against the dollar.

European governments may not be persuaded by evidence of the kind to recognise both their interdependence and their potential ability to provide the world with economic leadership. So far there is no sign of, for instance, of a European initiative to offer Opec oil purchase contracts denominated in Ecu instead of dollars.

What can be said with confidence, however, is that Europe is still, despite its long-run problems, the greatest single influence on the international trading economy—and lasting world economic recovery will simply be impossible unless Europe joins in more convincingly soon.

It is Europe, not the U.S., which dominates world trade movements

Men & Matters



"Our Kevin? He's wintering in Luxembourg this year"

ing regular trips and telephone calls to London from Michigan.

On one trip Sotheby's staff were surprised to find him scrambling about on the roof of the company's rambling Bond Street premises. An architect by profession, Taubman was taking a close look at the structure of the building—and may suggest some modifications, though Sotheby's experts cherish the privacy their cramped accommodation gives them.

Taubman has also been helping turnover with phone calls suggesting potential clients for particular art works or possible sellers.

It will be some time, though, before Taubman's plans to take Sotheby's into the financial and insurance areas are known. Nothing has been worked out in detail yet, and any ventures will remain subordinate to the basic auction business.

Taubman appears to be ready to take a 10-year view and, without the pressure of a stock market listing, the company can afford the odd bad year.

But having forked out £23m for the business, Taubman is clearly ensuring he gets a reasonable return.

Daimler's choice

Management appointments at Daimler-Benz usually go through as smoothly as a gear change in one of the company's Mercedes. Not so this time, over the 28 per cent stake it has taken in the car maker.

But should the British group "go German", it would have the consolation, at least, of being in a distinguished company.

Sotheby's lot

Alfred Taubman, the U.S. property millionaire who matched Sotheby's from the clutches of two less well-endowed compatriots earlier this year, is taking a close personal interest in his prize.

Taubman has handed day-to-day running of the auction house to former accountant David Ward, but has been making

in advance of last week's board meeting.

In the event, Breitschwerdt, aged 56, emerged on top. But the labour side is understood to have stuck to its guns and voted against. The exact voting figure is not being given.

It is a disappointing start for Breitschwerdt, who is a local man (born in Stuttgart where Daimler-Benz is its HQ) and who has devoted his life to the company. He came to Daimler in 1953 and has been on the executive board since 1977.

Taubman has also been helping turnover with phone calls suggesting potential clients for particular art works or possible sellers.

It will be some time, though, before Taubman's plans to take Sotheby's into the financial and insurance areas are known. Nothing has been worked out in detail yet, and any ventures will remain subordinate to the basic auction business.

Taubman appears to be ready to take a 10-year view and, without the pressure of a stock market listing, the company can afford the odd bad year.

But having forked out £23m for the business, Taubman is clearly ensuring he gets a reasonable return.

Oil change

As every motor show bears witness, the top end of the car market has never had it so good.

The demand for luxury customised cars continues to grow, straining the ingenuity of those who cater for extravagant individuality.

What can you add to a £100,000 Mercedes that already has bullet-proofing, cocktail bar, video, TV, hi-fi, refrigerator, and satellite communications as well as real ruby ignition lights on the dashboard?

Mike L'Havre, of London's Chameleon Cars, thinks he knows what could squeeze another few thousand pounds out of a customer. He is seeking "a team of modern day Michelangelo" to paint a "masterpiece in oils" on the roof lining as another optional extra.

What's more, word of the dispute leaked out embarrassingly

It's all in...

WHITAKER'S Almanack 1984

THE YEAR BOOK
AN ANNUAL ENCYCLOPEDIA OF THE WORLD OF LEADERS AND ENTREPRENEURS, ANNUAL STATEMENTS AND DATA FOR THE YEAR AHEAD

THE REFERENCE BOOK
AN AMAZING VARIETY OF SUBJECTS FROM ASTRONOMY TO ZOOLOGY

116TH EDITION

Whitaker's Almanack 1984 tells you just about everything you'll need to know about the past year, such as the General Election, scientific achievements, political and sporting events at home and abroad, plus all the facts on public holidays, anniversaries, astronomical and tidal data for the year ahead.

Whitaker also contains a wealth of facts of reference—from the Monarchy and the Constitution to NATO and the EEC, from world currencies to lists of art galleries and directories of trade unions—and much, much more!

1,200 packed pages of facts, tables and essential information, Up-to-date, accurate and at your fingertips.

In the bookshops—NOW!

Complete Edition, 1,200 pages £11.00
Shorter Edition without Foreign and Directories section £5.50
Library Edition (Published 12 December) half-bound in leather, with coloured maps £17.50

WHITAKER—gives you the answers

Observer

UK INSTITUTIONAL INVESTMENT

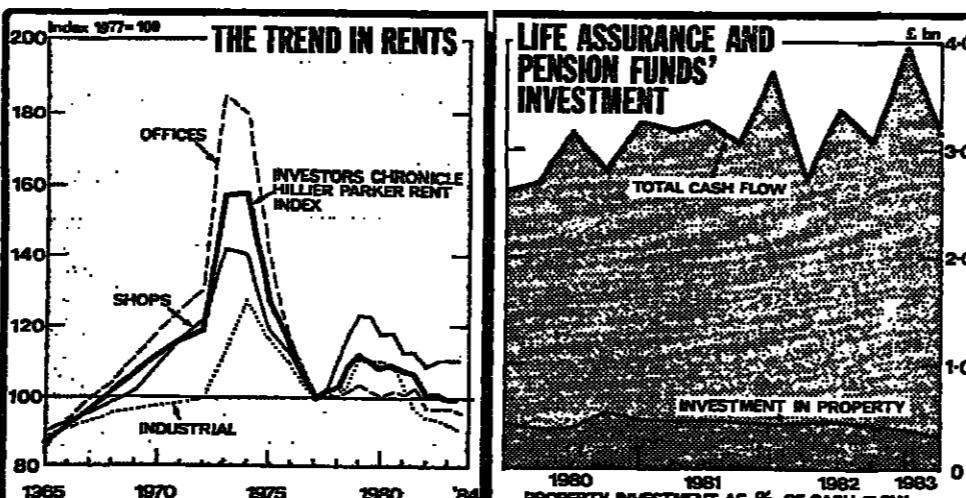
The £30bn property conundrum

By John Plender

ONE OF the characteristic sounds of a British bull market is the tramp of institutional feet in pursuit of a dwindling supply of increasingly expensive property. This has largely been absent over the past 12 months while equities and gilts have boomed; but suddenly there is a hint of something in the air, if not underfoot.

After one of the most savage declines in recent memory, the property share market has bounced smartly off the bottom during the first half of 1983 as the war when rents, especially in the retail sector, could point to a sharp recovery. The heavy atmosphere has now reached the new issue market: London and Edinburgh Trust, a developer that derives most of its income from property trading rather than higher quality rental income, was offered for sale last week at a minimum tender price equivalent to nearly double its underlying book net asset value and a fairly fanciful multiple of earnings.

The argument for property as a hedge against inflation has also gained a second wind, with many forecasters—Mr Nigel



in the index of shop rents to reflect the best rent it knows of in a given high street or area.

Anyone who invested in the components of the index in any year since 1969 would have suffered a fall in real income, with the single exception of an investment made in 1977. It would be a stretch, and growth but not real loss. If the index is at all representative, the rise in property values over the period has come entirely from capital values, reflecting the weight of institutional money pouring into the market.

What is strikingly new in the chart is that the behaviour of real rents appears to have changed in the present economic cycle. In the upturn of 1972-75 rents rose sharply, only to collapse in the Open-ended recession that followed. Milded recovery in 1977-79 was mirrored by a similarly modest increase in real rents, which peaked out at much the same time as gross domestic product.

This time round, however, the recovery has already been going for 24 years, with the upturn coming mainly from consumer spending. Yet even shop rents in the index are up only 0.4 per cent in real terms since their cyclical low point in early 1982.

Note, too, that the index is biased towards optimism since it only covers prime property. In addition Hillier Parker makes changes in the property

cash flowing into property could be that some funds are having difficulty in reducing their commitments. Much publicity has been given to the problems of pension fund property unit trusts in confronting withdrawals both last year and this. The insurance companies' managed funds have also had some difficulty. Earlier this year it emerged that the British Steel pension fund was seeking to redeem units in Legal and General's managed property fund. The two parties agreed that the withdrawal should be phased over a period. Other investors in managed funds have found that encashment can be subject to delay.

There has, then, been a liquidity crunch in the property market—but one that has gone largely unnoticed. This is because few banks have been involved, which is an important difference when comparisons are made with the crash of 1974-75. This time the insurance companies and pension funds have been in the front line. As a leading chartered surveyor, Mr Norman Bowie, recently pointed out in a speech to the City branch of the Royal Institution of Chartered Surveyors, a combination of sheer size and lack of accountability has allowed these funds to ride the crisis without significant being drawn to their losses. Where they have overpaid for property, pensioners

and policy-holders will pay the pip.

That is not to say that there has been no popping up and bailing out. There is speculation in the property market that where banks and insurance companies have discretion over pension fund clients' investment policy, they may have increased the allocation of that cash to property funds. Trustees are not always aware of the potential conflict of interest that can arise if, for example, a merchant bank runs a property unit trust as well as managing institutional funds.

Since the British Steel pension fund move leaked out, however, there has been no comparable worry for the market. So the autumn jump in property share prices probably reflected a feeling that the worst was not only discounted but largely over. And now the property values are also doing their best to help with their own characteristic brand of good news.

In the prospectus of London and Edinburgh Trust, for example, chartered surveyors Richard Ellis put an open market value of £22m on the company's joint development of Billingsgate in the City in its present early and unlet state and a value of £33.6m on completion and letting. There is little doubt that the developers have done a remarkable deal in

acquiring a third of this scheme at minimal risk. County Bank and Chase Manhattan have led a syndicate of banks offering £47.5m of non-recourse finance, an American-style deal whereby the developers have only limited obligations to the banks if all goes wrong. But is there really an open market in buildings that come in £50m chunks?

It is noticeable, too, that Richard Ellis has spiced the usually dry phraseology of the valuer's report with the odd glowing tribute to the management. The valuation is accompanied by a set of comments—some full of praise—on developments that London and Edinburgh is managing for a fee. Other signs of bullishness have been the recent willingness of some banks to advance more than the traditional two-thirds of value on individual properties.

There is always money to be made, even in a market suffering from over-supply. There are always pockets of growth as, for example, in offices in the better parts of the City at present, even if the wider picture is less attractive. Yet all the figures

A liquidity crunch that has gone largely unnoticed

prices as low as possible. The Commission has forecast that EEC farmers will obtain no increase this year because of budgetary constraints. We should not underestimate the power of the agricultural ministers for squeezing blood out of a stone. As Peter Lilley put it in a distinguished maiden speech in the Commons: "I find the Government's conditions slightly puzzling. They say that we might agree to an increase in own resources if the Community gets its act together and controls the agricultural policy. I find that a little hard to justify, because the matter is simple. The Community wants extra money to spend on agriculture. If we give it the extra money, it will spend the bulk on agriculture. If we do not give it the money, it will not be able to spend it on agriculture and will be obliged to reform the Common Agricultural Policy. If it does that we shall not need to give it any more money. Our great advantage."

The alternative is to rely on the plan of the French Finance Minister, Jacques Delors, for advance limits on agricultural spending to be decided by Finance as well as Agricultural Ministers. But as the domestic experience of every Finance Minister shows, these limits are not written in stone, and if resources are available, the combined agricultural and "Euro" dobbies will find a way of breaking the limits.

The "Euro" lobby has had a remarkable success in insisting that people who are not enamoured of the agriculture and steel cartels or the EMS are Philistine, parochial cost-counting "little men," of no vision equally unappreciative of the gains for consumers of a European foreign policy. It is time to call their bluff and insist that producer cartels do nothing to help world peace;

A more comprehensive Institute for Fiscal Studies estimate suggests that the total net cost for the UK is around 6.8m ECUs, or 23.6m, far in excess of the conventional budgetary calculation. The loss for the whole EC is 13.0m ECUs or almost £5bn. Nearly all countries, including France, are net losers.

Short of leaving the CAP, for which there is an excellent case, the best way of reducing this payment of tribute money is to keep the level of support

Letters to the Editor

Time for a wide review of civil aviation policy

From Sir David Nicolson, MP

Sir—I was interested to read Sir Peter Mansfield's letter (November 25) and I agree with much of what he says. The privatisation of British Airways raises far more important issues than the mere financial method by which it is done. The time has come for a wider review of civil aviation policy including the balance of the industry and the development of our airports. But British Airways should not be criticised merely because it is big. In fact its size has enabled it to become a leading world airline and contributor to our balance of payments. What is needed is the freedom of opportunity for efficient smaller airlines to grow as companies can in other industries.

We may wish to privatisate and create free enterprise competition, but we have to remember that at present the market is controlled by Governments who negotiate bilateral agreements on frequencies and approach routes and create cartels. Do we want to continue this kind of regulation? Can a faster growth in smaller companies have little control over their market?

To influence change in this we should develop the use of regional airports more in the future, and we should press our partners in the European Community to consider the question of a single European airspace which would enable us to develop a route structure compara-

able to that of the United States.

This step incidentally would probably permit a reduction of airfares by a third. Another fact to ponder over in the debate on size and structure is that the major European airlines, with the exception of the British, are organised into two groups, Atlas and KSSU, which use common equipment, have common stores and maintenance, and in fact rationalise everything except marketing and operations under their different colours. They are almost in effect two big airlines to compete with.

Had we played our cards differently in the past we might have negotiated for the Rolls-Royce engine to be in the European Airbus in exchange for ordering this plane and we could have joined in. Of course this raises the whole issue of how serious we are about collaboration in the European Community aviation and whether the pressure of economic events may influence the integration of the industry in this direction.

I must take issue with Sir Peter when he says that the merger of BEA and BOAC was unwise. I think this is the voice of an old BEA man, and there was considerable resistance in that quarter to the merger. Communications between the two state airlines were not always too good, and old rivalries made the merger difficult. But the overlapping

of facilities and services was

ridiculous prior to the merger; for example we found there were six British airline offices in Paris, three of them BEA and three BOAC, and they were not communicating or selling each others product. We were able to reduce these to two in total. Furthermore having rationalised marketing throughout the world and eliminated such anomalies, ticket sales rose 40 per cent with the same number of employees. In those days I may add the borrowings were under £200m. It was of course impossible to start the staff reduction exercise until the merged management was in place, and what had happened since under Lord King's leadership should really be regarded as phase 2 of a 10 years exercise to sort out the public aviation past.

We are getting in much better shape now to plan the next phase, but in this very different international, regulated, and capital intensive industry we do need a proper blueprint for the future with longer term objectives.

You can't just privatise British Airways on its own without studying the wider issues.

One of these issues is the level of our future commitment to Europe, but that applies in many other areas as well.

(Sir) David Nicolson,

(First Chairman of British

Airways).

RS 84

R.H. Price

103, New Oxford Street, WC1.

Margins at Reuters

From the Managing Director and Chief Executive, Reuters.

Sir.—The Lex column on November 23 is quite wrong in its guess about the relationship of Reuters' margins in the oil and foreign exchange markets. Our margins are no greater for the Reuter Monitor Oil Service than they are for the Reuter Monitor Money Rates Service.

Lex implies that Reuters has little or no competition in the oil market and that our pricing takes advantage of this. In fact competition is at least as active, if not more so, in the oil market as it is in the money markets. It is incorrect to impute to Reuters a monopolistic pricing policy in any market.

Far from being price-insensitive, as Lex also suggests, Reuter Monitor subscribers are as conscious of value for money as any successful business operator could be.

Lex's comment that our general news service is unprofitable ignores the fact that news is an essential ingredient to our services to the business community which provides a rapidly growing and affluent market for Reuters' traditional product.

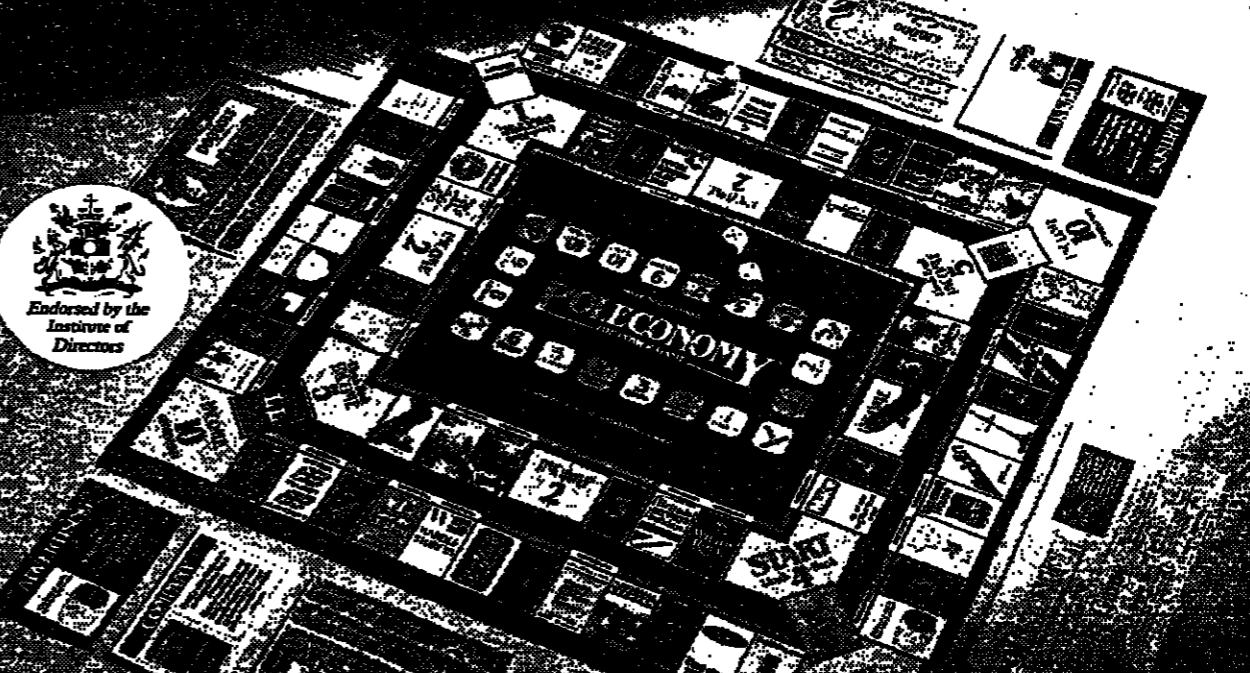
The impressive retrieval statistics for news and sports pages on the Reuter Monitor system are a measure of their increasing popularity.

Glen Renfrew.

Outside the UK. This has happened in this sector before and we are not yet convinced that the traditional problems have been solved. The role we gave to military procurement, which offended Mr Dennis, reflects not only the growing proportion of the procurement budget which goes on electronics, but the MOD's penchant for buying British. The New York Stock Exchange has belatedly recognised the downside risk in high tech and we think it important that our clients are also aware of it, particularly in the light of the hyperbole characteristic of this sector.

Clearly some large British companies in this field are also cautious about the odds, since they are holding onto their cash rather than leaping into the market. But suppose that British companies were successful; cost, productivity and flexibility considerations often suggest that it might be more profitable for them to locate

£9.95 GETS YOU A PLACE ON THE BOARD.



POLECONOMY

THE POWER GAME

THE IDEAL CHRISTMAS GIFT

I would like to order _____ Poleconomy/ies and enclose a cheque/Postal Order for _____ £9.95 each inc p&p made payable to Poleconomy Offer

Name _____

Address _____

You can also order with an Access or any Visa card.

Just phone this number 051-708 9933 quote your card number, and place your order.

Please allow 28 days for delivery.

Coupon should be sent to: Poleconomy Offer, Customer Services Department, Mulberry House, Canning Place, LIVERPOOL L1 8HY.

F11



CONCORD
COLLECTION

Concord Watch Company S.A.
63, rue Centrale
CH-2502 Biel/Bienne, Suisse

FINANCIAL TIMES

Monday December 5 1983

Terry Byland
on Wall Street

A cloudy forecast for banks

BANKING STOCKS on Wall Street have remained subdued over the past fortnight, which has seen wide swings in the fortunes of the industrial stock sectors.

The problems of the \$135bn loans to less developed countries (LDCs) continue to bear down on banking stocks, which are still trading at substantial discounts to industrial issues.

There is little sign yet that investors' perceptions of the outlook for the money-centre banks has changed, although the past month has seen support for the regional bank issues.

The banking majors have traditionally traded at a discount to the Standard and Poor's 500 stock index, but current discounts are substantially greater than previously. Price earnings ratios for Chase Manhattan, Citicorp and Manufacturers Hanover are at 39 per cent, 48 per cent and 40 per cent discounts respectively to the S&P index.

With industrial stocks looking more bullish than for some time and market indices at or near new peaks, prospects for closing up these discounts are not particularly bright. Citicorp is now 24 per cent below its 12-month peak, Chase 26 per cent off and Manufacturers Hanover 25 per cent down.

Weakness in the major banks stocks has persisted despite the success in rearranging Brazil's bank debts and the belief among analysts that the crisis point in LDC debt may have been passed.

"The time to worry about defaults was a year ago," commented Mr Thomas Hanley of Salomon Brothers, voicing a widely held view.

Wall Street's coolness towards banking stocks now seems to reflect doubts over the banks' handling of their problem loans rather than the scale of the loans themselves.

Mr George Salem of Becker Paribas, addressing himself to the question "Are banking stocks cheap?", answers "No", and for one reason, above all others.

Loan loss reserves of the banks, he warns, are not large enough for any required provisions or write-offs should the "worst case" present itself from the LDC battlefield. That casts doubt over the banks' reported earnings figures, and while investors' views are based on such shifting sands, it is hard to see how stock prices can make progress.

To approach the same question from another angle, doubts over the "earnings" side of the sector's price/earnings ratios lie behind the low ratings of the banking stocks.

Citicorp is on a p/e of 8 and Chase around 4 at present, both compared with an average p/e of 11.2 on the S&P 500. Price/earnings analysis performs poorly in a world of high uncertainty and liberal accounting, observes Mr Salem.

Even setting aside the vexed question of accounting for problem loans, the outlook for banking stocks appears clouded.

The results for the third quarter at the main banking houses drew only grudging approval from the brokerage analysts. Loan volume growth was regarded as unexciting and interest margins narrowed. The outcome was a median decline of 3 per cent in share earnings among the 50 largest banks.

For 1984, projections for bank earnings range from 3.5 per cent overall gain to a 3 per cent overall fall, and this must compete with an expected increase of around 20 per cent in earnings of the S&P 500 industrial stocks.

However, the picture brightens a little when the regional bank stocks are introduced to the scene. The past month has brought somewhat of a division between stock performances by the money-centre houses and the regional banks.

Now that the domestic energy loans appear to be safely behind them, regional bank stocks are expected to continue to benefit from their place on the domestic industrial scene. But investors show little sign of changing their minds about the big names.

Consortium plans £40m bid for Dunlop Holdings

BY RAY MAUGHAN IN LONDON

A FORMER director of Dunlop Holdings is putting together a consortium of institutional investors to bid for the troubled tyre and rubber products company.

Mr John Simon, who was joint managing director of the group until his sudden resignation over 10 years ago, said yesterday that in watching Dunlop's subsequent progress he had become alarmed by its heavy debts and the sale of its European tyre interests to Sumitomo of Japan, and had now found backers to inject £40m (£58.4m) into the group.

Dunlop itself yesterday described the scheme as "bizarre", but Mr Simon said he had joined forces with Saracis International Securities, a Swiss banking group, and two unnamed U.S. investors to put up £30m for the proposal. Other interested subscribers had pledged enough support to bring the package to £40m.

Mr Michael Richardson, the former deputy chairman of Henry Ansbacher, the City of London merchant bank, and now acting for Saracis,

expects to meet the London Stock Exchange soon to discuss arrangements for listing the consortium company.

He said yesterday: "In very broad terms, we shall offer new shares on a one-for-one basis to existing shareholders who would probably end up with, say, two thirds of the enlarged share capital." The £40m would represent new capital to Dunlop.

Mr Richardson and Mr Simon have seen all the London institutional shareholders of Dunlop and, with small exceptions, say they have received an encouraging level of support. London institutions' funds, however, now account for only about 5 per cent of Dunlop's share.

The consortium members are to register their interests shortly in a new company which, it is intended, will make a share offer to existing equity holders. Mr Simon was adamant that the consortium would not proceed if it had to fight a contested bid battle and the future of Dunlop's major Malaysian shareholders are

expected to be crucial to the outcome.

Pegi Malaysia, a quoted company, holds 26.8 per cent of Dunlop Holdings. Its two recently appointed representatives to the board, Mr Ghafar Baba and Mr Eng Chin Ah, are understood to be taking an increasing role in the group's affairs.

Pegi has a deal with Dunlop to buy a 25% per cent stake in Dunlop Malaysian Industries for £55m and to pay a further £43m for Dunlop Estates, its plantation interests in Malaya. But Schroder Wagstaff, financial adviser to Dunlop, has pointed out that initial payments on these deals have already passed several limits.

It is understood that other Malaysian interests, represented in the name of N.M. Rothschild, have approached Dunlop with alternative proposals for the sale of these two Malaysian companies at revised prices. But the consortium believes that Pegi may be willing to back Mr Simon's proposals.

Dunlop has been badly burdened by borrowings.

Stronger Nato efforts sought on better dialogue with East

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN LONDON

NATO ministers meet in Brussels this week for the first time since new US nuclear missiles arrived in Europe and Moscow walked out of the arms control talks in Geneva.

While future strategy on European-based missiles will be a key item for discussion in Brussels, officials are preparing an agenda for the top-level meetings that seek to put Nato deliberations on a new footing.

Britain and other key European governments hope that after their recent searing concern with the missile issue, the Western alliance will now focus more widely, particularly to work out ways of improving relations between East and West.

"Firmness with dialogue must be our theme," one official said, adding that it was vital for the West to reactivate political channels for communication and understanding with the Soviet Union.

However, Europe's own relations with the U.S. rather than with Moscow, will be a key theme underlying both the Eurogroup and the defence ministers. There are moves to give the former greater political influence.

In Britain, which is to chair the integrated military structure meeting tomorrow and on Wednesday while 16 foreign ministers (including France, Iceland and Spain) assemble on Thursday and Friday.

Foreign ministers are likely to discuss the management of East-West relations in restricted sessions. No ringing denunciations of new policies are expected, but it would be surprising if the communiqué did not reflect concerns that are beginning to surface at other forums ranging from the Commonwealth Conference, which last week called for improved East-West dialogue, to a recent Atlantic Institute poll that showed that public opinion in six out of seven European countries ranked improvement of contacts with the Soviet Union higher than co-operation with the U.S.

The week-long discussion opens today with a meeting of the 11 European ministers of defence who form the Eurogroup. All 13 defence ministers of the countries in Nato's

group next year, would like to see common European positions worked out on contentious issues such as the imbalance in U.S.-Europe defence trade, and U.S. policies to restrict the transfer of technology to the Soviet bloc.

The formal agenda of defence ministers includes:

- The need to agree a budget up to 1990 on fixed installations such as airfields (Europeans want at U.S. figures of above \$6bn);

- The U.S. drive, resisted by Europe, to get European endorsement of new "emerging technology" weapons systems;

- Adoption of a report on measures Nato would take if the U.S. transferred to its Rapid Deployment Force some of its Europe-based forces in the Gulf.

In some respects, however, ministers will be in a mood for self-congratulation. They have so far weathered the storm threatened by the deployment of the new cruise and Pershing 2 missiles, and consultation between the allies at that level remains good.

Thatcher call for fairer EEC budget

Continued from Page 1

they say, prevent Mrs Thatcher approving a package deal providing it covered the British budget problem and supplied a new system of controls over agriculture and other EEC spending.

In return, Mrs Thatcher would lift her veto on any increase in the ceiling on the Community's budget revenues.

In her speech yesterday, she signalled her readiness to do so more clearly than ever before provided her conditions are met. This is a powerful incentive for other member states to make concessions since anomalies about the Community's financial stability are running high. The current retail sales of a common basket of goods and services, and it is not now yielding enough money to maintain agricultural spending at current levels this year.

Although she has French and West German support for a tighter control on future spending, Mrs Thatcher will have to fight a lonely battle today to secure the "safety net" system she wants.

This would fix Britain's net contributions at a much lower level - they were £1.2bn last year - and peg them at a fixed proportion of the UK's gross domestic product.

Talks seek to solve UK print dispute

BY PHILIP BASSETT AND DAVID GOODHART IN LONDON

ON THE EVE of talks to try to settle the bitter UK printing dispute, there were indications last night that the union involved, the National Graphical Association (NGA), was taking a much more conciliatory line.

Discussions that begin today under the auspices of the government conciliation service, Acas, are expected to last all week. Both sides appear to be trying to create a better atmosphere for the negotiations. Ill will has been caused by mass picketing of the printing plant involved, owned by the Stockport Messenger group of newspapers, and resultant court actions by the group's chairman, Mr Eddie Shah.

NGA leaders suggested that the first aim of the talks was to try to re-establish a relationship between the union and Mr Shah. The union has lifted picketing at the plant for at least seven days and is hoping for constructive responses from the Messenger chairman.

An opinion poll published yesterday in the Sunday Times supported that view. Conducted by Mori, it said that 71 per cent of the public and 58 per cent of trade unionists said the mass picketing could not be justified.

Opposition to the closed shop was also clear: 65 per cent of the public and 53 per cent of union members were against it.

Print union avoids confrontation, Page 11

Options for U.S. on Syria run out

EVER SINCE 239 U.S. marines were killed by a lorry bomb on October 23, Lebanon has waited to see what form U.S. retaliation would take. Despite Israeli and French air attacks against Islamic fundamentalists, it has been widely assumed that Syria was the guiding brain behind the attack.

But yesterday's air attacks by U.S. aircraft against Syrian anti-aircraft positions were not motivated merely by revenge. In the past month it has become clear that Syria had politically checkmated President Reagan in Lebanon and his only course was to accept that or to launch a military counter-attack in alliance with Israel.

That is a return to the policy pursued by Mr Alexander Haig, the former U.S. Secretary of State, which led to the Israeli invasion on June 6 last year. The tentative alliance between Washington and the Lebanese Government has been abandoned for the moment.

It is unclear how far Washington is prepared to go. Yesterday's air raids will be seen by Syrians and Lebanese as a setback for the U.S. fleet cruising off the Lebanese coast.

The objective of the new Israeli-American alliance in Lebanon is clearly to expel the Syrians from the country or at least to diminish their influence greatly. That will not be easy. It also carries a risk of further escalation, since most of Syria's anti-aircraft missile batteries of SAM-5 and SAM-6 are on Syrian territory.

There are no missile batteries in Lebanon, say diplomats in Beirut. The 40,000-strong Syrian army there relies upon conventional multi-barrel anti-aircraft guns or shoulder-fired SAM-7 (Strela) missiles. To reduce Syrian anti-aircraft

capacity, the Americans or the Israelis will have to strike against Syrian territory.

A ground attack looks less likely, although the option of trying to clear the ridge line around Beirut has been examined by the Americans. It is here, notably at Aley, that the Druze guns can reach the 1,500 marines at the airport. But Beirut is also well within the range of Syrian and Druze artillery in the Metn area further inland.

The risks of President Reagan's course have been underlined by the loss of two aircraft and one pilot. Together with the shooting down of an Israeli Kfir bomber two weeks ago, this is evidence that the Soviet Union has much improved Syrian anti-aircraft capacity.

The difficulty for the Americans is that they have no political options left in Lebanon. Ever since the beginning of the year, Syria has been strengthening its position. President Assad allied himself with the powerful Druze sects in the mountains above Beirut and created an effective alliance opposed to President Gemayel.

The turning point was the destruction of the American Embassy in the Lebanese capital in April. Suddenly you could see that the protectors of the Lebanese Government could not even protect themselves, a Lebanese said last week.

President Gemayel grew steadily weaker. The Christian militia lost the war in the Chouf in September and Syria was then commanded by Druze and Syrian guns.

At the Geneva National Reconciliation Conference, a new recognition of Syrian authority was apparent. Israel was to be asked to leave and the May 7 Lebanon-Israeli agreement was to be frozen.

That was unacceptable to President Reagan. Once he had rejected coming to an understanding with Syria, pulling out of Lebanon, his only chance was to try to change the military balance.

No real upturn in new fillings is seen until possibly late 1985, but sales of mature whisky should be at reasonable levels.

The Famous Grouse brand

THE LEX COLUMN

Re-siting the City shelters

The popularity of long-term financial assets has been growing rapidly among private individuals, at a time when the institutions that service this growth market are facing a period of rapid change. Until fairly recently, most have been sheltered from over-rigorous competition through segregation in different niches defined by a tax or regulatory framework. However, that protection seems to be fading.

Not only is competition within individual sectors growing, but innovative companies have been highly successful in combining the tax and other benefits of two or more traditional sectors to sharpen their attack on the market. The authorities have, up to now, adopted a laissez-faire approach to such developments, while the rewriting of the London Stock Exchange rule book adds another layer of opportunity for established players as well as new entrants.

Shelter

The classic innovation on these lines of the last decade has been the combination of life assurance with the unit trust movement. As an investment medium for a private individual, life assurance is doubly tax-efficient. On 10-year contracts premiums can be grossed up by 15 per cent, while the life assurance companies are usually able to shelter both annual single premiums from the bulk of capital gains and income tax liability as the fund grows.

By linking with the unit trust movement, the innovators, such as Hamro Life, Abbey Life and so on, have been able to present a product whose performance is clearly related to the market. By contrast, the promoters of the established funds, which rely on obscure actuarial calculations and mysterious bonuses for their appeal, have been losing significant market share.

The new entrants into this particular market include societies sponsored by the Automobile Association and Abbey Life, a development which exemplifies the way financial service companies are now expanding to encompass tax breaks designed to channel investment in a specific direction.

Other long-established niches are seeing more daylight. Quite apart from the changes to the stock exchange's rule book, the UK Government is coming under strong pressure to abolish stamp duty on stock dealings to allow more effective competition in an international context. Indeed, there must be a possibility that the domestic 2 per cent rate may be halved, as a first step, in the coming budget. Such moves would put pressure on the jobbers, whose market-making function is reinforced by the present virtual duty exemption.

Greater competition in the stock market may force brokers to become more aggressive. And rather than go into direct competition with the jobbers in market-making, many may attempt to broaden their revenue coverage by incorporating life and pension instruments in their sales armoury.

For the investment trust sector, the capital gains tax exemption, far

Skelmersdale

For full details on land, building and grants available, phone:
Skelmersdale (0695) 32123.

market maintained but sales of new fillings were down compared with last year. Investment income increased by 22%.

Sales of mature whiskies were fully maintained but sales of new fillings were down compared with last year. Investment income increased by 22%.

No real upturn in new fillings is seen until possibly late 1985, but sales of mature whisky should be at reasonable levels.

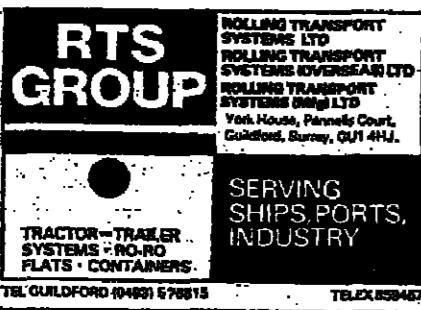
The Famous Grouse brand continues to prosper and it is felt that there is still considerable scope for further development in England, as well as in export markets where strong and sustained efforts continue to be put into the development of the brand.

not big enough to survive without joint ventures.

To that end, it has started making truck transmissions under licence from ZF and swapping components with the West German group. It is also to produce a city bus under licence from another German company, MAN.

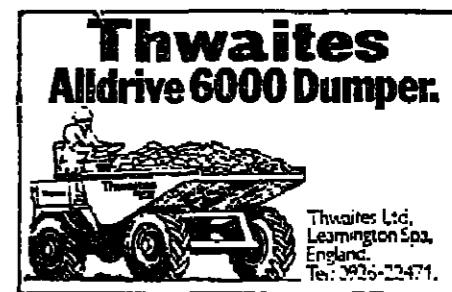
Enasa is also close to signing a deal with Daf of the Netherlands for the joint development of a new truck cab - which the Spanish group will need in about 1987. The two companies would share the burden of design and development costs and later exchange some components, if the deal were completed.

Published by The Financial Times (Europe) Ltd, Frankfurt Branch, represented by G.T.S. Davies, Frankfurt/Main, A.V. Hart, R.A.F. McLean, M.C. Gordon, B.A. Lawrence, D.E.P.



SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday December 5 1983



INTERNATIONAL CREDITS

Algerian loan stirs small banks' interest in syndicate market

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

LEAD managers of Algeria's \$750m credit will be poring over their syndication results in the next few days to see whether a further increase in the credit's amount is warranted.

It was always a foregone conclusion that the credit would attract an enthusiastic response from larger banks looking for senior positions in the deal. But some bankers doubted whether the relatively slim margins - ½ per cent over Eurodolars for the first six years rising to ¾ per cent for the last two - would prove enticing for smaller banks.

By Friday, general syndication had, however, attracted about \$100m in extra participations - not yet enough to secure an increase to \$800m but enough to show, as one banker put it, "that there is some depth to the market".

The question of depth in the broader syndication market could well become increasingly important now that margins on better-rated credits have begun to drop again. The response to the \$90m deal for Tunisia, which bears similar margins to the Algerian credit, also suggests a fairly keen degree of interest among smaller participants. This deal is to be increased to more than \$750m.

But there are precious few credits around at the moment which are proving a real test of the syndication market. Belgium's \$900m loan is to take the form of a club deal with a limited number of banks invited to take participations of \$15m apiece. They include Citibank, which has previously raised objections to the legal documentation on some French loans, a contribution which suggests that the new formula developed by Morgan Guaranty to cover the controversial absence of a cross-default clause has met broad market acceptance.

and Gulf International - have been put in a special category with contributions of \$30m each.

Gulf International stands out in this small group because Arab banks have not over the past two years been prominent lenders to Belgium. Its presence in this special category is intended to signal a change in this pattern.

In Latin America, the spotlight was again on Argentina last week as it struggled to meet the conditions for a \$500m drawing of the \$1.5bn term loan agreed by bank creditors earlier this year as part of the country's debt rescue package.

After considerable confusion up to the last minute, the drawing finally proceeded late on Wednesday night in New York, allowing Argentina to repay \$350m from a previous bridging loan and make up \$165m in interest arrears. This should bring payments up to date through the first week of October.

Some of the momentum appears to have gone out of the \$8.5bn loan being assembled by creditor banks for Brazil. The credit has not been helped by the revelation that European Brazilian Bank, a London consortium that specialises in loans to Brazil, is holding back on its commitment of \$100m.

Elsewhere Credit National has already completed its £100m loan led by Morgan Guaranty, Banque Nationale de Paris and Hamburg. A total of 20 banks are committing \$5m apiece. They include Citibank, which has previously raised objections to the legal documentation on some French loans, a contribution which suggests that the new formula developed by Morgan Guaranty to cover the controversial absence of a cross-default clause has met broad market acceptance.

EUROBOND DEALERS WIND DOWN FOR CHRISTMAS

FRNs enliven dull trading period

BY MARY ANN SIEGHART IN LONDON

PEOPLE always complain that Christmas comes earlier and earlier each year, but the Eurobond market has been suffering from the great Christmas wind-down since mid-November. Now that we are into December, investors seem to have put 1983 aside altogether.

- picked up by as much as a point on the week.

Even the floating rate note sector took a knock on Tuesday, when prices fell by 15 to 20 cents on most new issues and a number of secondary market notes. Those from the better quality names recovered during the course of the week, but it was a salutary reminder to the market that spreads will not narrow indefinitely.

There is still strong demand for floaters, but investors are going for

quality rather than high returns. Evidence of this came with two Spanish deals - for Seat and Banco Exterior - which, despite their high front-end fees, were not popular.

Banco Exterior's \$125m bond pays ¼ point over the six-month London interbank offered rate and is led by Credit Suisse First Boston.

It has a 13-year maturity, but there is optional redemption for investors after eight and ten years. With a front-end fee of 1 ½%, the all-in cost to the borrower over the eight years to the first put option is nearly ¾ per cent over Libor.

By contrast, Fuji Bank in its \$200m deal also led by CSFB, ends up paying just 0.175 per cent over Libor. Even so, Fuji's issue traded at a discount of less than half its par value.

The managers guarantee the funds to Alcan for at least seven years and receive an annual fee of 0.30 per cent for their continuing underwriting commitment and a straight 0.675 per cent management fee.

The company plans to issue \$100m worth of floating rate notes paying ¼ point over six-month Libor. The nominal maturity is 10 years, but investors have put options every six months. The price, at the time of issue and at each rollover date, will be determined by tender.

week, but it will not be put into action until January.

The company plans to issue \$100m worth of floating rate notes paying ¼ point over six-month Libor. The nominal maturity is 10 years, but investors have put options every six months. The price, at the time of issue and at each rollover date, will be determined by tender.

The managers guarantee the funds to Alcan for at least seven years and receive an annual fee of 0.30 per cent for their continuing underwriting commitment and a straight 0.675 per cent management fee.

There was minimal turnover on continental European markets last week. Prices hardly changed in Switzerland, but fell slightly in Germany.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Mitsubishi Heavy Inds. \$‡	100	1998	15	4 ½	100	Mgn. Stanley, Nomura Int.	4.750
Fuj Bank †(a)‡	200	1995	12	½	100	Fuj Int'l., CSFB, Citicorp, Mgn. Gru.	
Scandinavian Bk. †‡	70	1993	8	½	100	Mgn. Stanley	
Nat. Bk. of Canada †(a)‡	50	1996	7	½	100	Mgn. Grenfell	
Banco Espirito Santo †‡	30	1990	7	½	100	First Chicago, Merrill Lynch, Soc. Générale	
SEAT †‡	100	1993	10	½	100	Standard Chartered Marsh. Bk.	
EEC †‡	50	1993	10	12	100	Soc. Int. Fin. Corp.	12.000
EEC ‡	50	1998	15	12 ½	100	As above	12.125
Banco Exterior Ind. †‡	125	1996	13	½	100	CSFB	
Brown Boveri §	60	1995	12	4 ½	100	SBCL, CSFB, UBS Secs.	
CANADIAN DOLLARS							
EEC ‡	80.06	1991	7.5	12 ½	100	Sal. Bros., Wood Gandy	12.125
D-MARKS							
AMAS †‡	150	1991	7	8 ½	100	Bay. Vereinsbank	8.580
World Bank †‡	200	1988	5	7 ½	99 ½	Deutsche Bank	7.812
SWISS FRANCS							
Achilles Corp. **‡	30	1989	-	2 ½	100	UBS	2.875
Tamato Transport. **‡	50	1989	-	2 ½	100	CSFB	2.750
Yamada Electric **‡	30	1992	-	2 ½	100	CSFB	2.750
Japan Econ. Bank **‡	100	1992	-	5 ½	100	CSFB	5.625
Sumitomo Heavy **‡	55	1990	-	2 ½	100	CS	2.875
Nichel Co. **‡	30	1988	-	2 ½	100	Paribas (Suisse)	2.875
GBLDRS							
EEC ‡	200	1994	10	8 ¾	100	Aero Bank	8.750
LUX. FRANCS							
ECSC ‡	600	1991	7 ½	10	100	Egu. Gen. de Lux.	10.000
ECUs							
EEC	50	1993	6 ½	11	-	BBL, BNP, Sparkassen SDS	
Soc. de Dev. Regional	20	1990	5	11 ½	-	BNP, Paribas, Soc. Gen., BBL, Nomura	
Soc. de Dev. Regional	20	1995	10	11 ½	-	As above	
YEN							
Malayan †‡	150	1993	9	7 ½	99.70	Nikko Secs.	8.102
Iceland **‡	5 bn	1993	9	8 ¼	100	Nikko Secs.	8.400

* Not yet priced. † Final terms. ** Placement. § Convertible. † Floating rate note: coupon is spread over 6-month Libor. (a) Spread over 6-month Libor. Note: Yields are calculated on AIBD basis.

These securities having been sold
this announcement appears as a matter of record only.

October 1983



Bank of Tokyo (Curaçao) Holding N.V.

(Incorporated with limited liability in the Netherlands Antilles)

£30,000,000

Guaranteed Floating Rate Notes Due 1990

unconditionally guaranteed by

The Bank of Tokyo, Ltd.

(Incorporated with limited liability in Japan)

S. G. Warburg & Co. Ltd.

Bank of Tokyo International Limited

Algemene Bank Nederland N.V.

Barclays Bank Group

Credit Suisse First Boston Limited

Lloyds Bank International Limited

Nomura International Limited

County Bank Limited

Banque Nationale de Paris

Crédit Lyonnais

Deutsche Bank Aktiengesellschaft

Samuel Montagu & Co. Limited

Westdeutsche Landesbank Girozentrale

GMAC Overseas Finance Corporation N.V.

(Incorporated in the Netherlands Antilles)

Guaranteed by General Motors Acceptance Corporation

(Incorporated in the State of New York, U.S.A.)

US\$ 64 800 000

Bonds of 1983 - 1991

Interest payable in Swiss Francs at the rate of 7 per cent. per annum on the aggregate subscription amount of

Swiss Francs 120 000 000

Banque Morgan Grenfell en Suisse S.A.

Kredietbank (Suisse) S.A.

Clariden Bank

Amro Bank und Finanz

Armand von Ernst & Cie AG

Banco di Roma per la Svizzera

Banque Générale du Luxembourg

(Suisse) S.A.

Banque Indosuez, Succursales

de Suisse

Caisse d'Epargne du Valais

Nordfinanz-Bank Zürich

Lloyds Bank International Ltd.

CIAL, Crédit Industriel d'Alsace

et de Lorraine

Fuji Bank (Schweiz) AG

Gewerbebank Baden

Hypothekar- und Handelsbank

Winterthur

Maerki, Baumann & Co. AG

Sparkasse Schwyz

Deutsche Bank (Suisse) S.A.

Manufacturers Hanover (Suisse) S.A.

Morgan Stanley S.A.

The Royal Bank of Canada (Suisse)

Société Générale Alsacienne de Banque

— Groupe Société Générale —

U.S. BONDS

Positive economic statistics leave prices battered

MR PAUL VOLCKER, the chairman of the Federal Reserve Board, appears assured of an attentive audience when he speaks in New York today.

With the economy, Federal deficits, and uncertainty over Fed monetary policy once again hogging the credit market's centre stage, Mr Volcker's luncheon speech to the National Council of Savings Institutions will be eagerly awaited—not least because of the markets' current confusion.

The U.S. credit markets have been riding a roller-coaster in recent weeks as occasional waves of optimism have been replaced with bearish undercurrents. These relatively sharp

U.S. INTEREST RATES (%)
Week to Week to
Dec 2 9.24
Three-month CDs 8.95 8.75
Treasuries 11.82 11.63
30-year Treas ... 12.72 12.83
AAA Utility 12.50 12.50
AAA Industrial 12.50 12.50
Source: Standard & Poor's (estimates). In the week to November 16, M1 fell by \$400m to \$517.7m. In the week to November 23 M1 rose by \$1.6bn to \$519.3bn.

and rapid changes in market mood reflect Wall Street's shifting perceptions and short-term concerns. Last week was no exception. Bond prices took a battering towards the close.

While year-end factors such as tax-payments and the "massaging" of balance sheets and trading books are already having a distorting impact, the temporary lull in the flood of new Treasury paper—the flood of the \$14.5bn to \$15.6bn December 20 "mini-refunding"—has thrown the spotlight back on to the newsmen.

The fact that Mr Martin Feldstein, the President's chief economic advisor, should find himself crossing swords with administration officials, for telling them publicly what many in the markets already believe—that deficits do matter—only served to underline the unease.

But the key to market performance at present appears to be the economy. A slightly mixed, but overwhelmingly positive, string of economic statistics last week (including the October leading economic indicators and the unexpectedly large decline in unemployment

Hitachi profit advances on improved group sales

BY YOKO SHIBATA IN TOKYO

HITACHI and its 46 consolidated subsidiaries lifted net profits by 11 per cent to Y19.4bn (\$341.3m) in the first half to September 30. Sales were Y2.091bn, up 8 per cent from the previous fiscal year.

The company said that the major contributor to sales growth was the electronics division—including semiconductors and information processing equipment. The division had an increase of 23 per cent in sales to account for 25 per cent of the total.

The heavy electrical equipment and consumer products divisions also showed solid increases of 8 and 6 per cent, to account for 17 per cent and 21 per cent respectively of turnover.

Lower capital spending by industry, however, adversely affected the industrial machinery sector where sales were unchanged from the previous year.

Overseas sales, mainly of electronics and consumer products, rose by 4 per cent to account for 28 per cent of the total.

Short-term rates, having held steady most of the week, also backed up with bill rates closing 15 to 40 basis points higher on the week. Fed funds rising to the 9½ to 9¾ per cent range from around 9¼ earlier in the week, and commercial rates firming by between 5 and 25 basis points.

In the corporate sector bond prices fell between 2½ points and 1½ points on long and intermediate issues respectively. New issues volume continued to be relatively moderate with many of the issues receiving a lukewarm reception and rates closing the week marginally higher.

Among the private sector borrowers tapping the credit markets financial institutions continue to dominate the new issues.

Last week saw American Express Credit Corporation issue a \$150m issue of one-year 10½ per cent notes priced at par. Norwest Financial Corporation sold \$50m of 10-year notes priced at 99.567 to yield 12.2 per cent and Wells Fargo, the west coast banking group, launched two new issues totalling \$250m.

The Wells Fargo package consisted of a \$150m issue of nine-year extended floating rate notes priced at par and \$100m of seven-year notes bearing a 12.3 per cent coupon and also priced at par.

Paul Taylor

pleted payment for the legal costs arising from the lawsuit brought against it by IBM for alleged theft of confidential technology.

It has also paid fees for the past use of IBM software during its first half. Hitachi paid IBM for the use of software on the basis of the number of software programmes sold to its users.

Hitachi's future software royalty payments to IBM will be placed on the books of the IBM royalty payments plus the cost of losing a number of users to IBM. The executive said this would not affect Hitachi's business performance.

For the current fiscal year, Hitachi's semiconductor and information processor division is expected to continue to expand.

Hoesch in talks on PWH

HOESCH, the West German steel producer, is holding talks with a subsidiary of the Arbed Saarstahl concern over taking over its 49 per cent stake in PHWE-Weserhütte (PWH), the Cologne-based group specialising in mining and handling equipment, James Buchan reports from Bremen.

If the deal—tentatively valued at DM 50m (\$15m)—goes through as expected, it could do much to complement Hoesch's

years. This indicates that the company paid IBM some Y3bn to Ybna in the first half.

In the current half, ending March 1984, Hitachi will be placing on the books the IBM royalty payments plus the cost of losing a number of users to IBM. The executive said this would not affect Hitachi's business performance.

For the current fiscal year, Hitachi's semiconductor and information processor division is expected to continue to expand.

Progress at AEG-Telefunken

By Jonathan Carr in Frankfurt

AEG-TELEFUNKEN, the struggling West German electrical giant, has reported orders down and sales only slightly up in the first 10 months of 1983. But it now says it is making progress on the road back to profitability.

Income from orders dropped 4 per cent compared with the same period of 1982. Domestic sales increased but foreign orders fell.

Turnover was up by 1 per cent to DM 9.02bn (\$3.3bn). Foreign sales were buoyant, showing a rise of 9 per cent while domestic sales dropped by 5 per cent.

Fixed asset investment at the end of October was 8 per cent higher than a year earlier. The group labour force worldwide totalled 87,200—a cut of more than 10,000 since the start of this year.

In May, Herr Heinz Dürr, the chief executive, said the company hoped to approach the break-even point this year after suffering an operating loss of DM 932m in 1982. AEG-Telefunken was saved from financial collapse after creditors agreed to write off 60 per cent of its loans.

Amex insurance unit to shed 1,500 jobs

By Paul Taylor in New York

FIREMAN'S FUND, the struggling West German electrical giant, has announced job cuts involving more than 10 per cent of its 13,000 employees.

Mr James Keenanahan, president and chief operating officer of Fireman's Fund, said 300 jobs in its property-liability operations were being cut immediately. A further 1,200 would go next year, largely through attrition and productivity improvements.

\$47m charge at Fluor

FLUOR, the U.S. engineering and construction services group, is to take a charge of \$47m against profits in the fourth quarter, of which \$21m reflects cuts in its overseas oil and gas exploration, writes Terry Dodge in New York.

The company would not detail whether it will make a profit in the fourth quarter, although a year ago net earnings amounted to only \$32.3m on sales of \$1.3bn.

sector, which already accounted for about 60 per cent of the total.

The rest of the write-down will involve a \$26m reserve for the previously announced plan to sell its distribution services group, which Fluor expects to effect early next year.

Fluor has not indicated whether it will make a profit in the fourth quarter, although a year ago net earnings amounted to only \$32.3m on sales of \$1.3bn.

Shake-up at Rhone-Poulenc

A MAJOR shake-up has taken place in the top management of RHONE-POLYEMIC, the nationalised French chemicals and textile group, following the resignation of Jean de Worms, one of the group's managing directors, who is being replaced by M Serge Taharou, a deputy managing director, Paul Bettis reports from Paris.

M Worms is moving to COMPAGNIE FINANCIERE DE SUEZ, the large French banking group which is also nationalised. His departure from Rhone-Poulenc, however, reflects the major reorganisation at top level that has been taking place since M Louis Flechier was appointed as chairman of the group after nationalisation last year. M Worms had been appointed managing director under the pre-nationalisation regime at the chemicals group and was

regarded at one stage as a possible candidate to become chairman. The other managing director of Rhone-Poulenc remains M Jean-Marie Brusel.

M Albert Diehl, managing director of the chemicals group's textile division has also resigned. M M Flechier, Flechier has decided to take over the directorship of Rhone-Poulenc's European textile operations while French textile operations will be run by James Buchan reports from Bremen.

• The Italian Banking Association (ABI) has elected Professor Gianni Parravicini as its new chairman, to replace Sig Silvio Gobbi who is retiring. Prof. Parravicini, who is 73, is chairman of the Banco di Sicilia and is by profession an economist who has held many posts in banking and other economic and financial institutions. His election as president of ABI follows a search lasting several months and he was elected only on the third ballot. ABI represents the interests of the Italian banking community and in particular decides prime lending rate, though its decision is not officially binding on member banks.

• SWISS BANK CORPORATION

has appointed Mr Willi Wittwer as executive vice-president of its U.S. organisation. Mr Wittwer

from SCOR, Paris, for personal reasons. He has become honorary chairman. Mr Patrick Peugeot, member of the board since June 1983, has been appointed president and general manager in place of Mr de Vogue.

SCOR is a leading French reinsurance with a network of branch offices and subsidiaries covering the U.S., Canada, the UK, the Far East and Australia.

• The doyen of Spain's top bankers, Dr Santiago Gonzalo, has been replaced as chairman of BANESTO, one of the country's two largest private banks. The new chairman, Sr Pablo Garza, was formerly vice-chairman and is not expected to bring radical changes in the running of the bank. His appointment only marginally reduces the divergence among the heads of Spain's "big seven". He is 74. Aguirre Gonzalo, who had been chairman for 13 years, made clear that he did not resign the post on his own initiative. He has been given the post of honorary president.

• FRITZSCHE DODGE & OLCOTT INC. has named Mr David W. Duncan national aroma chemical sales director. He was

had been a senior vice-president since transferring from Switzerland to New York in January 1981.

• On November 17 Mr Pierre de Voge, chairman and general manager, submitted his resigna-

tive, finance and marketing in the bank's international banking division, London.

• PROMOTIONS to two newly-created senior positions in marketing and sales have been made by MAGNAFLUX CORP. Mr Henry G. Bogart has been named senior vice-president, marketing. He will continue to have overall responsibility for marketing of the GLENCOIL products, magnetic particle penetrant, X-ray equipment and material product lines. He was vice-president, marketing.

• Mr Karl W. Kolb has been appointed senior representative for field marketing activities for the magnetic particle penetrant, X-ray equipment and materials product lines. He was manager, field engineering.

• Mr John Marsh has been appointed senior representative for field marketing activities for the magnetic particle penetrant, X-ray equipment and materials product lines. He was manager, field engineering.

• Mr John Marsh has been appointed senior representative for field marketing activities for the magnetic particle penetrant, X-ray equipment and materials product lines. He was manager, field engineering.

• PITTSSTON CO's chairman Mr N. T. Camella has stepped down and will be succeeded by Mr Paul W. Douglas, who will serve as chairman and chief executive officer, effective January 1. Mr Douglas is the former chairman of the finance committee. Mr Douglas is the former president and chief executive of Freeport-McMoRan Inc. He was also elected to the Pittston board.

• UNION CAMP CORP has appointed its president Mr Peter J. McLaughlin chairman, succeeding Mr Alexander Calder Jr. Mr McLaughlin remains chief executive officer and Mr Calder remains chairman of the executive committee. Executive vice-president Mr Gene Cartledge has been named president and chief operating officer.

• Mr Russell Mills has been appointed director of staffing and development for the components group of GENERAL INSTRUMENTS CORP. Most recently, Mr Mills served as director of human resources planning and development for Howmet Aluminum Corp of Greenwich, Connecticut.

ITT FINANCIAL N.V.

U.S. \$125,000,000 11½% Guaranteed Notes due 1989

and

125,000 Warrants

to purchase an additional U.S. \$125,000,000 11½% Guaranteed Notes due 1989

Unconditionally Guaranteed as to payment of Principal and Interest by

ITT FINANCIAL CORPORATION

Swiss Bank Corporation International Limited

Lehman Brothers Kuhn Loeb
International, Inc.

Deutsche Bank Aktiengesellschaft

Lazard Frères & Co.

Morgan Guaranty Ltd

Amro International Limited

Credit Suisse First Boston Limited

Orion Royal Bank Limited

S. G. Warburg & Co. Ltd.

Banque Bruxelles Lambert S.A.

Manufacturers Hanover Limited

Union Bank of Switzerland (Securities) Limited

Chase Manhattan Capital Markets Group

Compagnie de Banque d'Investissement, CBI

Crédit Agricole

Credit Commercial de France

Bank Mees & Noppe N.V.

Bank of Tokyo International Limited

Banque Internationale à Luxembourg S.A.

Banque Nationale de Paris

Bank of Paris et des Pays-Bas (Suisse) S.A.

Bayerische Vereinsbank Aktiengesellschaft

Berliner Handels- und Frankfurter Bank

Caisse des Dépôts et Consignations

CIBC Limited

Continental Illinois Capital Markets Group

County Bank Limited

Dai-Ichi Kangyo International Limited

Dresdner Bank Aktiengesellschaft

EFCI International Finance Limited

Europa Securities Amex Limited

Europa Securities Europe Limited

Far East Securities Amex Limited

Far East Securities Europe Limited

First Chicago Limited

Fuji International Finance Limited

Gefina Int'l Ltd.

Genoa Capital S.p.A.

UK COMPANY NEWS

Losses attributable losses rise

AT THE attributable level, losses have been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

group's liquid resources, resulting from unprofitable trading of the company's vessels.

"Our main bankers have supported the company throughout the protracted depression in the industry and we are now considering with them what further steps can be taken."

Trading loss was up at £4.1m (£3.23m), investment income and interest receivable was £366,000 (£367,000) and exchange losses amounted to £478,000 (£245,000).

In aggregate, net tax, associate's share of losses was £22.000 (£498,000) and last time there was a £36.000 surplus on the sale of listed investments.

FT Share Information

The following securities have been added to the Share Information Service:

- Centennial Minerals (Minerals -Misc.)
- Security Alarms (Electricals)
- PAI Insurance (Insurance)
- Oxford Investments (Electricals)
- Pillsbury (Americans)

Air Call

Air Call shareholders have approved the acquisition of Consortium Communications International Inc. and the increase in the company's authorised capital.

Hunslet £0.74m into red

A TURNAROUND of £2.87m to pre-tax losses of £742,000 has been suffered by engineering company Hunslet (Holdings) Ltd for the year ended August 7, 1983, but the dividend has been maintained at 8.5p net per 25p share.

The directors say they are "most concerned" at the continued lack of available work, and are energetically seeking new contracts. The position remains difficult, and in the event that substantial orders are not received soon, some reduction in engineering activities, including further redundancies, will be inevitable, they

say. During the year directors

explain that difficult trading conditions continued, both at home and abroad, and the company was compelled to declare some redundancies which reduced the workforce from 880 to 750 in the 12 months.

Turnover amounted to £1.39m, compared with £12.79m; trading losses were £1.3m (£1.42m profits) and interest receivable and similar income was £555,000 (£703,000).

After a tax credit of £595,000 (£500,000 charge), loss attributable came to £147,000 (£1.28p profit) or 12.2p per share (earnings 10.3p).

Current cost pre-tax loss is £1.12m (£1.73p profit).

Tyne Tees Television Holdings PLC

Incorporated in England under the Companies Act 1948 to 1980, No. 1551599

Placing arranged by Kleinwort, Benson Limited

of 479,932 "A" (Non-Voting) Ordinary Shares of £1 each at 137p per share.

The "A" (Non-Voting) Ordinary Shares of the Company are being placed will rank for all dividends hereafter declared or paid on the share capital of the Company. In other respects the "A" (Non-Voting) Ordinary Shares rank pari passu with the Ordinary Shares for all dividends declared or paid but do not entitle the holders to receive dividends before the holders of the Ordinary Shares.

The Company is one of the large regional ITV companies. With a highly skilled and experienced staff the station is one of the best equipped in Europe. Although its first priority is to produce programmes for its own region, the Company makes an increasing impact on the ITV network, especially with quality family drama, pop music and children's programmes. As Channel 4 moves into its second year, the Company has emerged as one of the Channel's largest programme contributors.

Share Capital

Authorised	£ 250,000	Ordinary Shares of £1 each	Issued and fully paid	£ 250,000
	5,000,000	"A" (Non-Voting) Ordinary Shares of £1 each		4,799,323
	5,250,000			5,049,323

Application is being made to the Council of The Stock Exchange for the grant of permission to deal in the "A" (Non-Voting) Ordinary Shares of the Company in the Unlisted Securities Market on The Stock Exchange. It is emphasised that no application has been made for these securities to be admitted to listing. A proportion of shares now being placed is available to the public through the Market. Particulars may be obtained during normal business hours on any weekday (Saturdays and Bank Holidays excepted) up to and including 18th December 1983 from:

Kleinwort, Benson Limited,
20 Fenchurch Street,
London EC3P 2DB.
5th December 1983

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange

High-Point Services Group Plc

(Incorporated in England under the Companies Acts 1948 to 1967 with No. 979170)

Placing by Coni, Gilbert & Sankey

of 944,000 Ordinary Shares of 10p each at 137p per share

Share Capital

Authorised	£ 500,000	in Ordinary Shares of 10p each	Issued or to be issued fully paid	£ 380,000
------------	-----------	--------------------------------	-----------------------------------	-----------

Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the Unlisted Securities Market in the whole of the issued share capital of High-Point Services Group Plc ("the Company"). A proportion of the shares being placed are available to the public through the market. It is emphasised that no application has been made for these securities to be admitted to general listing. Particulars may be obtained during normal business hours from:

Coni, Gilbert & Sankey, 10 Throgmorton Avenue, London EC2N 2DH.

Phibro-Salomon Warrants

To buy or sell 1,000 units of a currency at a fixed rate

	Sterling	Deutsche Mark
Call	1.52 U.S.\$38½	2.58 U.S.\$12¾
Put	1.46 U.S.\$58½	2.67 U.S.\$12½
Expiration	October 1, 1984	October 30, 1984

Offering prices as at London's Friday close

Salomon Brothers International

1 Angel Court, London EC2R 7HS. Tel: 01-600 9171

FINANCIAL TIMES STOCK INDICES

Dec. 2	Dec. 1	Nov. 30	Nov. 29	Nov. 28	1983 High	Low	Since Comptain High	Low
Government Secs.	83.16	83.85	83.25	82.98	85.09	82.96	85.70	77.00
Fixed Interest	86.80	86.18	86.20	86.00	85.00	86.04	88.20	79.03
Industrial Ord.	741.8	741.1	745.1	746.7	743.9	728.5	746.7	598.4
Gold Minis.	580.6	582.4	570.1	545.0	587.1	504.6	584.7	514.7
FT-Act. All Share	459.95	459.83	461.87	460.89	460.92	456.65	465.74	582.22
							465.74	435.9

£7m profit forecast by Eagle Star offshoot

BY RAY MAUGHAN

NM ROTHSCHILD is offering for sale by tender 12.5m shares in VG Instruments (VGI) at a minimum price of 130p per share. On this basis, VGI will be capitalised at £85m.

Directors state that there has been an improvement in the economic environment, especially in the U.S. where there has also been a slight increase in oil consumption. Tanker freights began to reflect these factors and the company benefited from the better market.

But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

The six months figures relate entirely to the tanker fleet, whereas the four bulk carriers include the four bulk carriers sold at the beginning of 1983 and only one-half of the deficit incurred by the "Overseas Argonaut".

Additionally, the period bears, for the first time, a full charge for depreciation — up from £1.85m to £2.44m, and interest relating to the two new tankers began to reflect these factors and the company benefited from the bear market.

"But with two vessels temporarily out of service for drydocking, earnings have again

been insufficient to cover direct operating expenses.

Closing prices December 2

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 25

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Closing prices December 3

Continued on Page 2

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

WORLD ECONOMIC INDICATORS

every Monday—
Only in the
Financial Times



£13m housing orders for John Mowlem

Housing contracts in the south east worth £13m have been won by JOHN MOYLEM. At Epsom Park, Bracknell, there is a £5.6m contract for a mixed development of 164 homes for Bracknell District Council. Work comprises 123 two, three and four-bedroom houses, with 41 flats. Work has started for completion in November 1985.

At Baytree Road, Hemel Hempstead, two contracts totalling £4.2m have been placed by Abbey Housing Association in association with Hammersmith and Fulham Borough Council for a mixed development of 78 flats and 47 houses with garages and ancillary works. The scheme is partly for sale to the public and part for Hammersmith and Fulham Council. Completion of the scheme is due in November 1985.

At Heath Row, Lambeth, work has started on a £3m contract for 109 two-storey houses and flats, with roads, sewers and hard-standing for cars for the London Borough of Lambeth. Work is scheduled for completion in June 1985.

CONSTRUCTION CONTRACTS INSURANCE

Matthew Hall wins £31m work

The mechanical and electrical sector of MATTHEW HALL has been awarded contracts in the UK and in Australia worth about £21m. Contracts for major oilfield and electrical services include a new 66,000 sq ft office development at Crutched Friars, EC3; electrical work in a commercial and residential development at New City Court, SE1; and road lighting for a section of the M25. Orders in Scotland are for services in a shopping development at Waverley Market, Edinburgh; at the 250 bed-room Edinburgh Sheraton Hotel and in its group facilities building for Scottish Energy.

In Australia, orders include services for the 576 bedroom Inter-Continental Hotel, Sydney; electrical and fire engineering services in the Parliament House project, Canberra; air conditioning and plumbing services for the new National Australia Bank building and head office of the State Bank of New South Wales, Sydney and an electrical services contract for a Government project in Queensland.

Other contracts awarded to Cubitts part of Tarmac Construction include refurbishment and other work in Westbourne Grove, London, for Lloyds Bank (£247,000); external redecorations in Park West, Edgware Road, London, for Firstcross (£306,000); an office and other work at Manchester Airport, for BP Oil (£306,000); and alterations to a medical college at Blackburn for Lancashire County Council (£233,000).

Tarmac Construction contracts include modernising 54 homes at Edlington, Doncaster, for Doncaster Borough Council (£301,000); industrial units at Canley, Coventry, for University of Warwick (£79,000). Raising the roofs of 657 Birmingham homes is the latest contract for Tarmac Construction. In Richmond Road, Soho Hill, work has already started on two, 52-week contracts totalling more than £1.3m. As new roofs go on 268 homes associated work and drainage will also be carried out by 86 others. Stripping and replacement of roof tiling to 387 houses in Bellshill will be done under a £701,500 contract lasting 20 weeks. A new roof structure will be formed above the existing and new insulation will be installed. All the work is being undertaken for the City of Birmingham.

TURRIFF CONSTRUCTION has four contracts totalling £5.25m. The largest, worth £3.8m, has been awarded by the Property Services Agency for a training college and central building at Stone, Staffordshire for British Telecom. Turrioff Properties has awarded a £200,000 contract for an extension to a workshop for Nicolet Instruments at Sudbrook Road, Warwick. South Kesteven District Council has awarded a film-plus contract to refurbish 116 homes at Walton Gardens, Grantham. Last is a contract awarded by Phoenix Housing Association for the refurbishment of six town houses at Stockton on Tees, worth over £79,000.

The report concluded that re-insurance contracts had been arranged by Mr Brooks and Mr Dooley in a way which would provide financial benefit to Fidentia at the expense of the Lloyd's syndicates which they managed.

According to the Mr Colman and Mr Hailey there were several issues to resolve relating to the present practice in the Lloyd's market before they could come to any firm conclusion about the conduct of the two managers.

They said: "We doubt whether until the last few months more than a handful of those in the Lloyd's market might be anything remotely wrong in an active underwriter effecting reinsurance of his syndicates with a reinsurer company in which he or those who employed him had an interest." Conflicts of interest and possible breaches of fiduciary duty to Lloyd's syndicates could arise, they observed.

They added that the failure "to perceive this underlying principle has not been confined to underwriters" and suggest

Radical changes sought at Lloyd's

BY JOHN MOORE, CITY CORRESPONDENT

BUSINESS practice in the that advisers to the Lloyd's professionals such as accountants also give rise to abuses of the underwriter's fiduciary duty to his syndicate. We find it almost impossible to envisage a situation where there would not be danger of such abuses."

Moreover, the investigators said: "A requirement that syndicates themselves should not effect reinsurance with companies of which the majority of the voting shares was owned by the syndicate was introduced by market circular in February 1971, shortly after the formation of the Fidentia."

Fidentia, however, was not owned by the syndicates owned by Mr Brooks and Mr Dooley. It was set up in 1970 by Mr Brooks through a holding company which also controlled the Lloyd's underwriting interests of Mr Brooks and Mr Dooley.

Fidentia was not owned directly by the Brooks syndicates and therefore was not in existence at the 1971 ruling. The investigators said: "The reality has to be faced that if Mr Brooks and Mr Dooley are to be held with responsibility even of the least serious kind regardless of the circumstances in which they had in operation a reinsurance company with which they effected reinsurance of their syndicates and thereby engendered incidental profits, they will be penalised for doing something which we believe for most of the period under investigation would not have been regarded as any kind of misconduct by most of the working members of Lloyd's."

Although the report found that there had been "substantial misconduct" under Lloyd's bylaws by Mr Brooks and Mr Dooley it concluded that the story of Fidentia "illustrates the unavoidable perils associated with all related party reinsurance transactions."

Moreover, the investigators appear to be concerned that to operate draconian measures against some underwriters operating the practice while allowing others to escape would be unfair. "It would obviously be very unfair to prohibit such transactions involving one group of syndicates while allowing others to continue."

"We therefore consider that any prohibition of continued dealing between the Brooks syndicates and Fidentia should be accompanied by general notification by Lloyd's that

related reinsurance transactions should no longer be effected."

Lloyd's will have to decide how such measures should be implemented. More important, it will have to decide how secret profits gained by the market's professionals through their undisclosed relationship with offshore companies are to be refunded to the members of Lloyd's.

The council also has to decide what disciplinary programme it is to launch as and when abuses of the relationship become apparent. The investigators said: "Related party reinsurance transactions appear from the evidence before this committee to be no more common in the Lloyd's market."

This issue will pose the first real challenge to the effectiveness of Lloyd's regulatory and disciplinary machinery.

International garden festival set to attract 3m

By Ian Hamilton Fazey

BRITAIN'S first international Garden Festival will meet its target of 3m visitors next year, according to new research by Gallup.

The £30m event on Merseyside seems certain to be a success. With France's agreement to join, 31 countries will be exhibiting, compared with 22 at this year's event in Munich and 14 at last year's in Amsterdam.

Commercial sponsorship for the festival is worth £1.5m. It includes £80,000 from Unilever's for a Victorian garden.

This week's business in Parliament

TODAY

Commons: Rating and Valuation Amendment (Scotland) Bill (Second Reading). Motions relating to the Supplementary Budget (Single Payments) Amendment Regulations.

Lords: County Courts Bill (Second Reading). Equal Pay (Amendment) Regulations 1983; Motion for Approval of Matrimonial and Family Proceedings Bill (Committee). Fosdyke Bridge Bill (Second Reading).

Select Committee: Public Accounts: Subject—Memorandum from the Comptroller and Auditor General: Manpower Control; review and need for work. Witnesses: HM Treasury; Mr Alan Bailey CB, Second Permanent Secretary, Cabinet Office; Mr Peter Le Cheminant

CE, Second Permanent Secretary (Room 16, 4.45 pm).

TOMORROW

Commons: Education (Grants and Awards) Bill (Remaining Stages). Debate on the First Report from the Select Committee on Procedure (Finance) 1982-83.

Lords: Debate on the importance of the Falkland Islands and other British islands in the South Atlantic. Debate on the first Report of the European Communities Committee on Sewage and Sludge in Agriculture.

Joint Committee on Statutory Instruments (Room 4, 4.15 pm).

WEDNESDAY

Commons: Until about 7 pm, Town and Country Planning Bill (Second Reading). Followed by debate on EEC documents on fisheries. Motion on

European Community (document No. 10322/82). Protection of Workers from Noise at Work.

Lords: Debate on situation of the ethnic and religious minorities in Great Britain. Prohibition of Female Circumcision Bill (Committee). Unstated question on the closure of psychiatric hospitals in Essex, Surrey.

Select Committee: House of Commons (Services): Computer sub-committees: Subject—Information, Technology, Members' requirements. Witnesses: Dr Jeremy Bray MP and Mrs Paddy Ashdown MP (room 8, 4.15 pm).

Public Accounts — Subject: Televising of some of the proceedings of the House for an experimental period. Unstated questions on gas and electricity prices.

FRIDAY

Commons: Private Members' Bills.

Together, working as a partnership we can cut Industry's costs

We have an enviable track record of completing ambitious projects—successfully. Also, with our resources, ensuring their continued success.

We pioneered digital process control by listening and talking to our customers, and it made us a world leader. We still are a world leader—because we still listen to our customers—and they listen to us.

Whatever the building, the process or the plant—Honeywell systems allow you to progress from managing a problem—to managing the business.

And we'll do it together—because it works much better that way.

If you would like to know more about the contribution that Honeywell can make to your business, call (0344) 424555 ext. 561.



Together, we can find the answers.

Honeywell

Galaxy Oil International N.V., a Netherlands Antilles Corporation ("International"), is offering to exchange \$500 principal amount of its Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due March 1, 1992 ("Class A Debentures") and \$500 principal amount of its Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due March 1, 1998 ("Class B Debentures"); the Class A Debentures and Class B Debentures are collectively referred to as the "New Debentures". In exchange for each \$1,000 principal amount of its 8½% Convertible Subordinated Debentures due January 1, 1984 ("Old Debentures"), the January 1, 1984 interest payment will be cancelled with respect to tendered Old Debentures. The Old Debentures will be accepted only if tendered together with all interest cancellation payable on or after January 1, 1984.

The New Debentures will be guaranteed on a senior subordinated basis by Galaxy Oil Company ("Galaxy"), of which International is a wholly-owned subsidiary. The New Debentures will rank senior to the Old Debentures and Galaxy's guarantees of the New Debentures will rank senior to Galaxy's guarantees of the Old Debentures. The Old Debentures are convertible into Galaxy Common Stock ("Common Stock") at a price of \$19.75 per share. The Class A Debentures will be convertible into shares of Common Stock at a price per share equal to the greater of \$1.575 or 105% of the most recent closing sale price of the Common Stock on or prior to the Exchange Date. The Class B Debentures will be convertible into shares of Common Stock at a price of \$19.75 per share unless 65% or more of the Old Debentures are tendered and accepted for exchange, in which case the conversion price will be reduced to \$4.50 per share.

Galaxy Oil International N.V.

Offer to Exchange

its

Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures Due 1992

and its

Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures Due 1989

for any and all of its

81% Convertible Subordinated Debentures Due 1996

The Class A and Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures are convertible into Common Stock of, and guaranteed on a senior subordinated basis as to payment by,

Galaxy Oil Company

Galaxy Oil International N.V., a Netherlands Antilles Corporation ("International"), is offering to exchange \$500 principal amount of its Class A Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due March 1, 1992 ("Class A Debentures") and \$500 principal amount of its Class B Non-Interest Bearing Convertible Senior Subordinated Guaranteed Debentures due March 1, 1998 ("Class B Debentures"); the Class A Debentures and Class B Debentures are collectively referred to as the "New Debentures"; the Class A Debentures and Class B Debentures will be offered in exchange for each \$1,000 principal amount of its 8½% Convertible Subordinated Debentures due January 1, 1984 ("Old Debentures"). The January 1, 1984 interest payment will be cancelled with respect to tendered Old Debentures. The Old Debentures will be accepted only if tendered together with all interest cancellation payable on or after January 1, 1984.

The New Debentures will be guaranteed on a senior subordinated basis by Galaxy Oil Company ("Galaxy"), of which International is a wholly-owned subsidiary. The New Debentures will rank senior to the Old Debentures and Galaxy's guarantees of the New Debentures will rank senior to Galaxy's guarantees of the Old Debentures. The Old Debentures are convertible into Galaxy Common Stock ("Common Stock") at a price of \$19.75 per share. The Class A Debentures will be convertible into shares of Common Stock at a price per share equal to the greater of \$1.575 or 105% of the most recent closing sale price of the Common Stock on or prior to the Exchange Date. The Class B Debentures will be convertible into shares of Common Stock at a price of \$19.75 per share unless 65% or more of the Old Debentures are tendered and accepted for exchange, in which case the conversion price will be reduced to \$4.50 per share.

THE EXCHANGE OFFER EXPIRES AT 12.00 MIDNIGHT, LONDON TIME,

ON DECEMBER 29, 1983, UNLESS EXTENDED BY INTERNATIONAL

The terms and conditions of the Exchange Offer are set forth in the Offering Circular dated December 5, 1983 and the related Letter of Transmittal, copies of which should be obtained from the Exchange Agent.

All tenders may be withdrawn until December 20, 1983. On and after December 20, 1983, all tenders are irrevocable if accepted by International prior to January 31, 1984, may thereafter be withdrawn.

Mr. Harry Allison, a Managing Director of International and the President and Chief Executive Officer of Galaxy will be available to meet with holders of Old Debentures in London on December 5, 6 and 7, 1983, and will also be in Zurich on December 8 and 9, 1983. Holders who wish to meet with Mr. Allison should contact the Exchange Agent.

The Old Debentures are listed on the Luxembourg Stock Exchange. In connection with the listing application, the Articles of Incorporation of International, the Articles of Incorporation and By-Laws of Galaxy and a legal notice relating to the issuance of the New Debentures will be deposited prior to the listing with the Chief Registrar of the District Court of Luxembourg, where copies may be obtained upon request. The Common Stock is listed and traded on the American Stock Exchange (symbol: GOX).

Requests for assistance and copies of related documents should be directed to the Exchange Agent as follows:

A. Sarasin & Co. Limited, 56 Saint Andrews Hill, London EC4V 5BY, England; Attn: Mr. Ronald A. Eldridge, Operations Manager, Telephone Number: (collect) 44-1-236-6595, Telex Number: 883960.

December 5, 1983

دَكْنَاصَةُ الْأَصْلِ

Financial Times Monday December 5 1983

INSURANCE & OVERSEAS MANAGED FUNDS

SECTION III

FINANCIAL TIMES SURVEY

EUROPE

The missile debate, the need for tough economic measures and conflicts with the U.S. over the effect of its domestic policies point to trying times for the West. In addition there is mounting unease in Europe's capitals about Washington's approach to East-West relations

The West at a crossroads

SOME YEARS hence, these politically troubled and economically difficult times may be identified as one of those crossroads for Europe so beloved of professional historians. The contemporary observer, distracted by the trees, has much more difficulty in seeing the historical wood.

But whether he is looking at security issues, commercial conflicts, economic options or political choices, Europe seems simultaneously confronted both by the dangers of growing fragmentation and by the opportunity for greater cohesion.

This stark characterisation is somewhat less true of the divided continent's Eastern half where political developments are distorted by its subordinate economic and political status to the Soviet Union. Nevertheless, countries such as Poland, Hungary and Romania are seeking various ways to extend their autonomy. And, in some instances, this is impelled to do so by the same pressures which are acting upon the West.

By extension, there is Nato's deployment of intermediate range nuclear weapons in response to the Soviet Union's development of the SS20, a missile which is custom-built for targeting on Western Europe.

As the debate has raged in Western Europe, and the deployment of the cruise missiles effected in the UK, common concerns are emerging among supporters and opponents of the

By JOHN WYLES
Common Market Correspondent

Nato decision.

This can be said to be a fear that the installation of the capacity for a nuclear war solely between Western Europe and the Soviet Union makes the world a more dangerous place when relations between the two super powers are at a disturbingly low ebb.

The pro- and anti-deployment camps differ more obviously over where the blame lies for the poor state of East-West relations, and over whether Nato deployment should proceed even if the Soviet SS20 force is left intact. Significantly, however, loyalty to the Nato

position has not suppressed a growing unease in most European capitals about Washington's approach to East-West relations.

While there is general approbation in most Western European governments for the sensible approach by the U.S. to missile negotiations in Geneva, there is less satisfaction with the policies President Reagan has developed linked to his view that the Soviet Union is directly responsible for instability in Central Africa, the Caribbean and Central America.

As a result, the Europeans are searching with more determination than before for a capacity for joint action which will increase their influence on Washington and give them a more distinctive voice in East-West relations.

Speaking five days after the U.S. invasion of Grenada, which his government obviously thought misguided, Sir Geoffrey Howe, the British foreign secretary said: "The events in Grenada have reminded us again that there are times when Europe needs a voice independent even of its closest allies."

Out of view of the next 12 months is that the Western Europeans—and the British, French, German and Italian governments in particular—will develop this independent voice partly in order to placate their anti-missile and anti-American minorities.

Significantly, most capitals are putting a new emphasis on the need to renew a dialogue with the Soviet Union and these efforts will be stepped up especially if the only major forum for East-West contacts—the missile reduction talks in Geneva—are ruptured inde-

finitely by the Soviet walk-out after deployment.

While they may thus be presented with an opportunity for developing greater cohesion, some Europeans can also see the potential for fragmentation in the present uncertainties on the security front. Anxiety is said to be greatest in Paris over the implications of the West German peace movement and of its success in swinging the main opposition SDP party against deployment.

This breakdown in the post-war West German consensus on security issues is seen by some French analysts as representing a renaissance of neutralist sentiment which yearns for a reunified Germany, distanced from both East and West. Chancellor Kohl and his Government are still searching for an effective response to their domestic peace movement and a more influential and effective European voice in the Alliance remains a top priority for Bonn.

However, the British and West German central banks are immensely sceptical about the value of such efforts. There is little sign that, despite strenuous French attempts, the EEC countries will develop a common position in the next 12 months even on the need for a dialogue with the U.S. about how to achieve greater economic convergence.

Nevertheless, U.S. economic policy and performance remains the great imponderable for the West Europeans. They are making some headway in reducing their inflation rates (EEC consumer price rises have fallen from 14.3 per cent in 1980 to 8.2 per cent in the year to August), public sector spending deficits are being grappled with rather more convincingly than before and old declining industries such as steel, shipbuilding and textiles are slowly

being restructured.

The obvious need is for faster, non-inflationary growth, and the extent and speed of the U.S. recovery now underway should be a modest leg up in this direction.

In Western Europe, the apparent strength of the U.S. recovery is viewed with envy tinged with incredulity. Anxieties focus particularly on the widening balance of payments deficit in the U.S. and equally formidable federal budget deficit.

Pessimists fear that both deficits will lead to greater volatility for the U.S. dollar, still highest U.S. interest rates, and a shooting off of recovery.

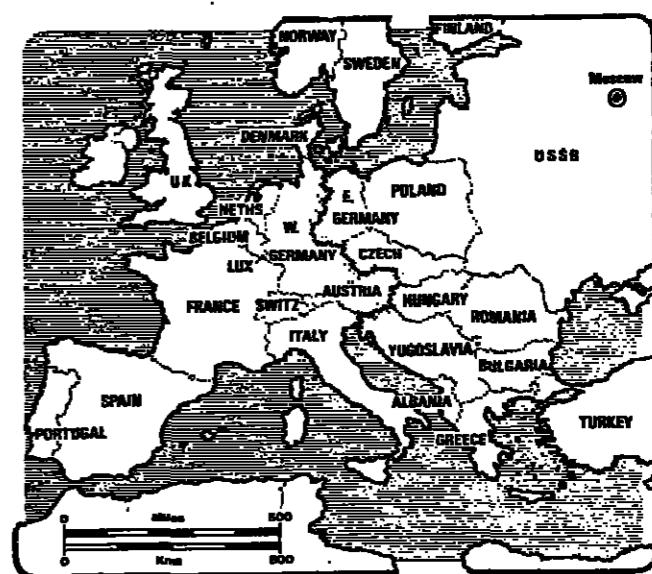
These risks engender nothing but caution in Europe and tremulous anxieties about the extent and durability of the modest recovery now underway in some countries.

Questions for the EEC

IF SUSTAINED growth cannot be captured, then political developments on the Continent become even more uncertain. All the major questions relate to the European Community.

Over the next few months, the Community should achieve modest internal reforms and raise the ceiling on its budget revenues so as to be able to finance its future development. Economic recovery would be a vital lubricant for this development: it gives government political courage and the Community some prospect of rolling back protectionist measures which are baulking the develop-

CONTINUED ON NEXT PAGE

**CONTENTS****POLITICS**

Overview: a strange political calm
The Soviet Union under Yuri Andropov
The view from Washington
The view from Brussels
How the USSR sees the West

II
III
III
III
III

EC

Weakness at the top
Conflict with Washington

IV
IV

ECONOMY

Overview: prospects tied to U.S. recovery
Banking: a year for better profits
Stock markets: share prices show a rising trend
Country by country review

V
V
VI
XII

INDUSTRY

Electronics: new emphasis on collaboration
Telecommunications: one of Europe's fastest growing sectors
Motor industry: change proves costly
Heavy plant: mergers come unstuck
Biotechnology: many new paths to explore
Chemicals: an international outlook needed
Financial services: aim is a freer market

VII
VII
VIII
VIII
VIII
X
X

TRADE

Comecon: a year of bringing down the shutters
Gatt members look to the future
EEC/EFTA barriers come down

VI
XI
XI

Small businesses: seed bed for recovery

XII

Editorial production: Arthur Dawson. Design: Philip Hunt.

Cold comfort for SKF rod ends in Siberia.

The Soviet project to pipe natural gas via pump stations from Jamal in W. Siberia, past Leningrad and on to W. Europe needs more than hardy equipment. Temperatures down to -50°C, and metre-deep mud-and-water over vast stretches, set exacting standards. All vital machine components, for example,



act as a support for product, control and service lines. The swivel arrangement includes a main 4.5-metre diameter, 13.6-tonne triple-row roller bearing of special steel, a similar 4.2-metre/3.5-tonne turntable bearing, and six 1.5m bearings. All of which help the vessel to weather vane—swinging to minimize resistance to wind, waves and current. All are special duty sealed bearings from RKS—slewing ring specialists of SKF.

A spare 13.6m main bearing in a 10-year protective pack, weighing in total 17.5t, is strategically positioned on the mooring buoy.

Gearing up for new generation rear axles.

In 1984, the whole new modular family of Rockwell CVC axles will gain production momentum at its new high technology plant in Cameri, Italy.

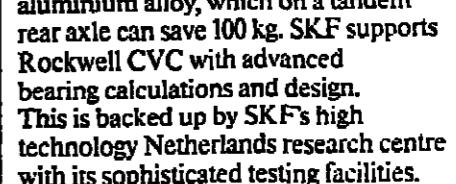
Europe-based truck axle specialist Rockwell CVC started out in 1981 as a joint venture. Its principals were multi-industry Rockwell International—major pioneer in truck axle design—and Europe's Iveco truck company staked by Fiat, OM, Lancia, Magirus and Unic with about 20% of the European truck market.

Rockwell CVC now operates independently and takes world sales responsibility for its Cameri made axles.

These range in capacity from 18 to 44 tonnes gross combination weight, and show the fruits of a low-weight development aim—particularly with regard to use of

aluminium alloy, which on a tandem rear axle can save 100 kg. SKF supports Rockwell CVC with advanced bearing calculations and design.

This is backed up by SKF's high technology Netherlands research centre with its sophisticated testing facilities. Which in turn is an assurance of excellent design quality—such as for SKF's taper bearing configuration in the Rockwell single reduction rear axle.



GC/5

SKF

Advances in technology are only successful if the support technology advances too. As a component manufacturer, SKF is in a supportive industry. Our rolling bearings are often critical products used in high technology and high-risk environments.

Whatever the bearing arrangements, we remain committed to constants like product reliability, performance, service life—and product safety.

"To achieve high performance and reliability, even simple components can demand a level of capability and technology that will stretch commitment to the limit."

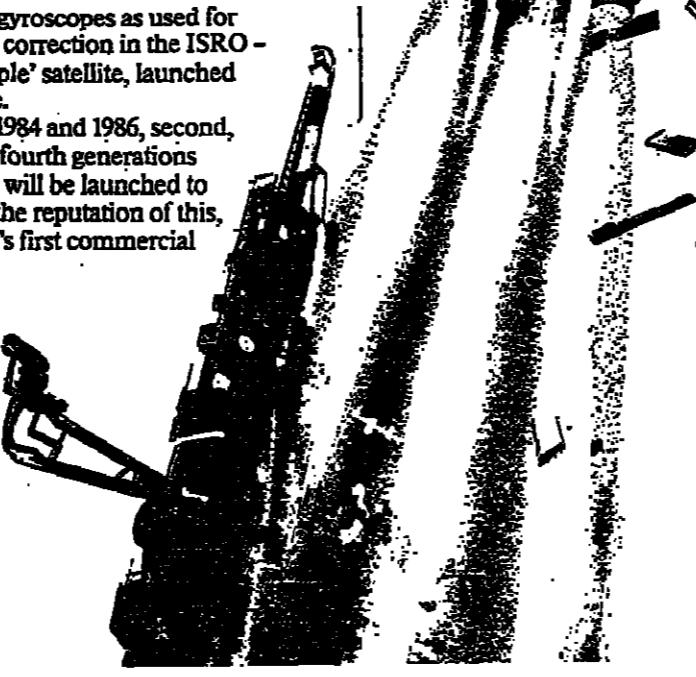
Ariane. A view from above.

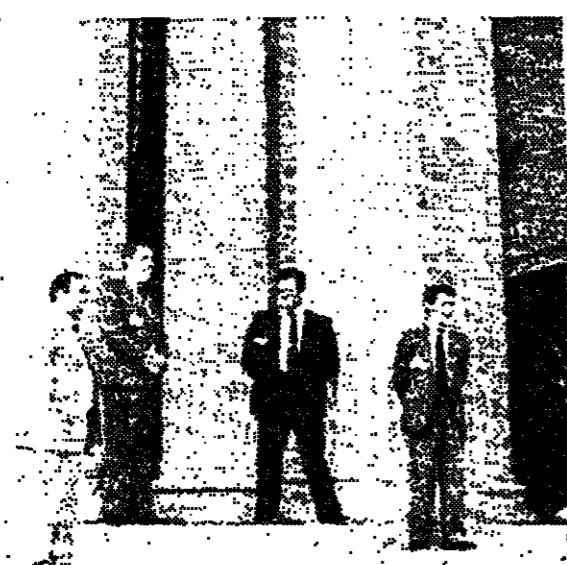
During this decade, some 200 geostationary satellites are expected to be launched, a high number of these for communications. To compete for a proportion of this commercial launcher market and establish an independent launching capability for its own scientific satellites, the European Space Agency (ESA) decided in 1973 to develop the Ariane launcher.

The three-stage, 47.8m high Ariane 1 weighs 210 tonnes at lift-off. Propellant constitutes 90% of the mass; the structures and payload accounting for about 9% and 1% respectively.

SKF companies such as Sarma, ADR and Transo are all involved in world space projects. In Europe, for instance, Sarma provides ESA's Ariane with brace struts and actuating rods. And ADR supplies high-tech miniature bearings for precision applications such as the momentum wheel

in inertia gyroscopes as used for trajectory correction in the ISRO-India 'Apple' satellite, launched by Ariane. Between 1984 and 1986, second, third and fourth generations of Ariane will be launched to enhance the reputation of this, the world's first commercial launcher.





Today and tomorrow Athens will be host to a summit meeting of the European Community. The Community's Council of Ministers met there in October and the picture shows security officers on duty outside the Zappeion Hall where the meeting took place

At a crossroads

CONTINUED FROM PAGE ONE

ment of its internal market. As the Community ages, the paradox becomes more striking. Such strength and cohesion as it has is rather more product than of external pressures than of internal momentum. Political co-operation moves in a certain crab-like fashion but the facility for developing a common foreign policy reaction on specific issues is regarded as an important asset by all member states.

Similarly, the darkening trading environment of the last five years has greatly strengthened the Community's value to its members through its ability to "manage" difficult crises and problems with the U.S. and Japan.

At the same time, however, the Community has failed to "complete negotiations" to accept Spain and Portugal into membership and has made virtually no progress in developing policies for industrial modernisation and regeneration. Those who fear most for its future argue that fragmentation will start from within unless a new policy impetus can be found.

Since this is one of the avowed objectives of the sum-

mit meeting in Athens today and tomorrow, we should not have to wait long to see whether governments really want the Community to be much more than an agricultural development agency and a regional commercial grouping.

Probably the most important factor will be the success, not just of the Community but of Western Europe, in which in creating the conditions for the growth and development of high technology industries.

Conscious of the need to make up ground, more and more European companies are launching joint ventures with American and Japanese partners willing to transfer technological know-how.

The extent of intra-European co-operation at a corporate level, however, remains unimpressive. The Community, through projects like Esprit and the provision of venture capital, is beginning to recognise the need to give a push to technological co-operation. Whether it will be able to offer the incentive of a genuine common market which is not factured by differing norms and standards and chauvinistic public purchasing still remains very much to be seen.

THE MOST traditional way of looking at the political scene in Europe is to lay it out on the traditional left-right spectrum. By this measure, judging by the general elections which have taken place over the last couple of years or so, one might conclude that the old world has been subject to rather violent oscillations.

In France, after a quarter of a century of Gaullism and neo-Gaullism, the Socialists have returned from the wilderness in alliance with the Communists. In Spain, five years of post-Franco centrist democracy gave way to a major Socialist victory; in Sweden after a six-year gap the Social Democrats once more recaptured their traditional position as the governing party; and even in Italy the Christian Democrats lost so much ground that they were forced to accept the leadership of a socialist prime minister.

In Denmark, by contrast, the Social Democrats have been displaced by minority centre-right coalitions; in West Germany, the Christian Democrats, in new alliance with the Liberals, have driven the Social Democrats out of office, and in Britain Mrs Thatcher's Conservative Party has won an overwhelming electoral victory, despite the apparent handicap of heavy unemployment.

The first inference to be drawn from this pattern of events is that the electorates have seen the difficulties of recent years as a reason for looking for change at the top. Two oil crises, and the attendant whirlwinds of recession and inflation, have imposed vast and unfamiliar pressures on the social fabric, and the voters have searched around for different leaders in the hope of different and better solutions.

The surprising thing is that this apparent volatility of electoral politics has not been mirrored by comparable volatility in the actions of newly-elected governments. On the contrary, there is a remarkable degree, if not of unanimity, at least of congruence in the way that different governments, even of quite widely varying political colours, have tackled the problems of inflation, recess-

sion and unemployment.

To be sure, the new Socialist administration of President Mitterrand indulged in a rash of socialist extravagance during its first year in power, as if it had failed to notice, during its long years in opposition, the consequences of socialist extravagance. In Britain, or were incapable of recognising the uncomfortable realities of the world economic situation.

Rigour

In the past year or so, however, the French Socialist government has been seeking to pursue a path of economic rigour which in terms of priorities, is indistinguishable from the austerity of Conservative Britain or conservative Germany.

Naturally, the centre-right governments in Holland and Denmark have been struggling to reverse the legacy of uncontrolled welfareism, inflation, budgetary deficits and foreign debts. But most of the newly arrived left-wing governments have been almost as cautious in giving

way to carefree socialist impulse.

The Spanish Socialists under Felipe Gonzales seem to have learned from the economic tribulations which beset their French colleagues. The Swedish Social Democrats under Olof Palme are still pressing ahead, despite serious popular opposition, with their plan for wage-earner funds to channel company profits to the unions; but in other respects they are conforming to the European norm, by trying to reform the state finances with tax increases and curbs on welfare spending.

Even in Italy, where the Christian Democrats remain, unformed, the dominating power on the political scene, the new government under the socialist Bettino Craxi is making some attempt to gain a grip on public spending, even if the International Monetary Fund judges that its efforts are still wholly inadequate.

In short, all governments, to a greater or lesser degree, have been forced by the constraints of external reality to recognise that the rapid

growth and free-spending habits of the 1960s are now only memories, and that the budgetary deficits and mounting public debts which seemed

in the 1970s to be a way of keeping these memories alive, have in practice led only to a painful awakening.

This does not mean that governments, of whatever colour, have good solutions to the problems of low growth, high unemployment, and deflation and protective industries—they don't. But in the absence of good solutions, they have fallen back, with surprising unanimity, on measures to break the inflationary spiral, most notably by moving away from wage indexation and on balancing the budgetary books.

What is surprising about this near-universal rejection of Keynesian inflationary ideas, is the relative docility displayed by the European public to the intensification of the U.S.-Soviet power relationship, and by the intensity of the Europe-missile debate which dominates news pages of the newspapers throughout the continent.

To be sure there has been a strong and fatal coincidence, the economic crisis and the East-West crisis

tions, but on the whole mass demonstrations and marches to protest against unemployment have been conspicuous by their absence.

One reason for this strange political calm may be that people have come to recognise that inflation and featherbedding lead only to a cut down, and that in the end the expansion of the public sector must be paid for by taxes;

another that, despite the new emphasis on austerity, there remains a substantial protection in the welfare systems in many European countries.

Superpowers

The main reason, however, may be that Europe's economic woes are overshadowed by the steady deterioration in the international political climate, by the series of the front in the U.S.-Soviet power relationship, and by the intensity of the Europe-missile debate which dominates news pages of the newspapers throughout the continent.

European governments do not have any immediate answer to these old problems, and more than they do to the problems of recession and industrial decline. But the bush which has descended on Europe suggests that they, and perhaps their electorates, have a sense of the importance of what is at stake.

By a strange and fatal coincidence, the economic crisis and the East-West crisis

The Soviet Union shows signs of retreating into a prickly, Fortress Russia mentality, Anthony Robinson reports

The dialogue ceases



Who will succeed Mr Yuri Andropov, the Soviet state and party leader? The two principal contenders are Mr Grigori Romanov, the 60-year-old former Leningrad party chief and (right) 53-year-old Mikhail Gorbachev

from the INF talks. This took place on November 22 after the West German Bundestag approved U.S. missile deployment and the first Pershing 2 rockets in crates started landing on West German military airfields.

The failure of Mr Andropov to appear in public for over three months, inevitably raises questions over his political survivability as well as his

former Leningrad party chief, or 53-year-old Mikhail Gorbachev, or a form of interim collective leadership with both men playing key roles.

In fact, a form of collective leadership is probably running the Soviet Union now in Mr Andropov's absence, reflecting the various lobbies and interest groups of the Soviet system.

Inevitably westerners speculate as to whether the absence of Mr Andropov automatically increases the power of the armed forces, particularly at this critical time when arms control negotiations—both INF and START as well as the Vienna talks on mutual and balanced conventional force reductions—are not only the vital stuff of East-West relations but virtually the only significant area of East-West contact, outside normal trade and finance.

Powerful

The answer is almost certainly that the voice of the Soviet military is powerful and has been increasing. It could hardly be otherwise given the disproportionate amount of economic and financial resources devoted to the military sector.

Most importantly of all the refusal to budge from the basic Soviet negotiating position that the Soviet Union would make concessions on SS-20 missile deployment only if the U.S. accepted zero deployment of similar U.S. land-based missiles in Western Europe guaranteed the eventual Soviet walk-out

foreign affairs establishment, is probably more closely connected with the intelligence-security establishment than any other Soviet leader to date—except Stalin, who was in a class of his own as a tyrant who ruled through the secret police.

Ironically, however, much of the opposition to Mr Andropov appears to come from those whose power base is the party organisation—the traditional and conventional basis of power and authority in a Communist state.

Mr Andropov's illness appears to have been seized upon by such party representatives as Mr Konstantin Chernenko to reassess the party's power and prestige as an institution.

All top decision makers in all Soviet institutions are party members and usually hold important party posts such as central committee members. But powerful currents and lobbying for power and resources takes place between the various institutions, and this reaches its pitch during a time of leadership struggle and selection which now appears to be the case.

Usually the men in the Kremlin would like the rest of the world to go away at such times. But not for a long time has the international situation been so tense or demanding such urgent attention as it is now.

Humiliated by the strong reaction of world wide public opinion to the Korean aircraft disaster and dealt another blow by the U.S. invasion of Grenada—the first use of U.S. combat troops for such a mission since Vietnam—the Soviet Union shows many signs of wishing to retreat into a prickly, Fortress Russia mentality.

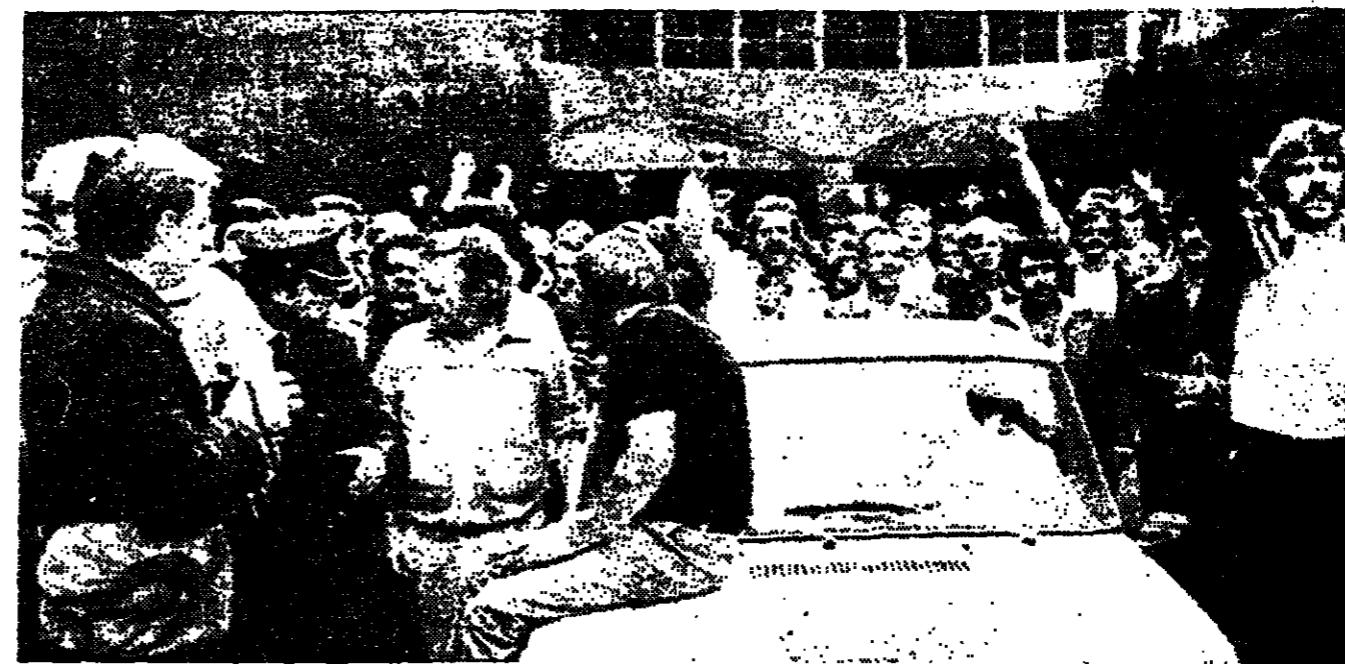
America is, and seems likely to remain, the main Soviet bugbear. Europe and Japan are still seen essentially as Moscow's appendages, but essentially peripheral. The main Soviet obsession is and remains its relationship with Washington.

Meanwhile Eastern Europe, too, is suffering the economic consequences of the slowdown in world trade, and the economic, trade and financial repercussions of the 1981 debt crisis.

On top of this both East Germany and Czechoslovakia have been chosen to hold updated and modernised Soviet short-range nuclear missiles as part of the response to INF modernisation in Western Europe. Times are hard, and look set to get harder before they get better.

The electorates of Europe have sensed that a turning-point is at hand, Ian Davidson reports

A strange political calm



overlap with a crisis in the relations of the European countries with each other. This last crisis finds its most immediate expression in the European Community Summit which opens in Athens tomorrow; but the issues at stake go far beyond the size of the European budget, the future of the euro, or the reform of the Common Agricultural Policy.

In essence, the European governments know that they may be facing the choice between a closer integration, which would be difficult and possibly distasteful, and an incipient disintegration, which might be dangerous. If, for example, the 16 member states cannot reach these internal compromises which would open the door to Spain and Portugal's membership of the European Community, Spain for one may abandon its candidacy, and as a consequence also leave Nato.

Naturally, national politics are still dominated by national issues: the reform of the army and the struggle against the Basque ETA terrorists in Spain, the violence in Northern Ireland, the setbacks to socialists and communists in French local elections, the troubles of the German steel industry, the middle-class demonstration in Sweden against the planned wage-earners fund, the public sector strike in Holland.

But overarching all is the sense that Europe is facing a turning point. As a result of the East-West tension, France has re-examined its traditional Gaullist defence doctrine and given it a more European slant; the missile crisis has not merely broken two decades of defence consensus in Germany; it has also revived deeper, and longer-term, questions about Germany's place at the frontier between East and West.

European governments do not have any immediate answer to these old problems, and more than they do to the problems of recession and industrial decline. But the bush which has descended on Europe suggests that they, and perhaps their electorates, have a sense of the importance of what is at stake.

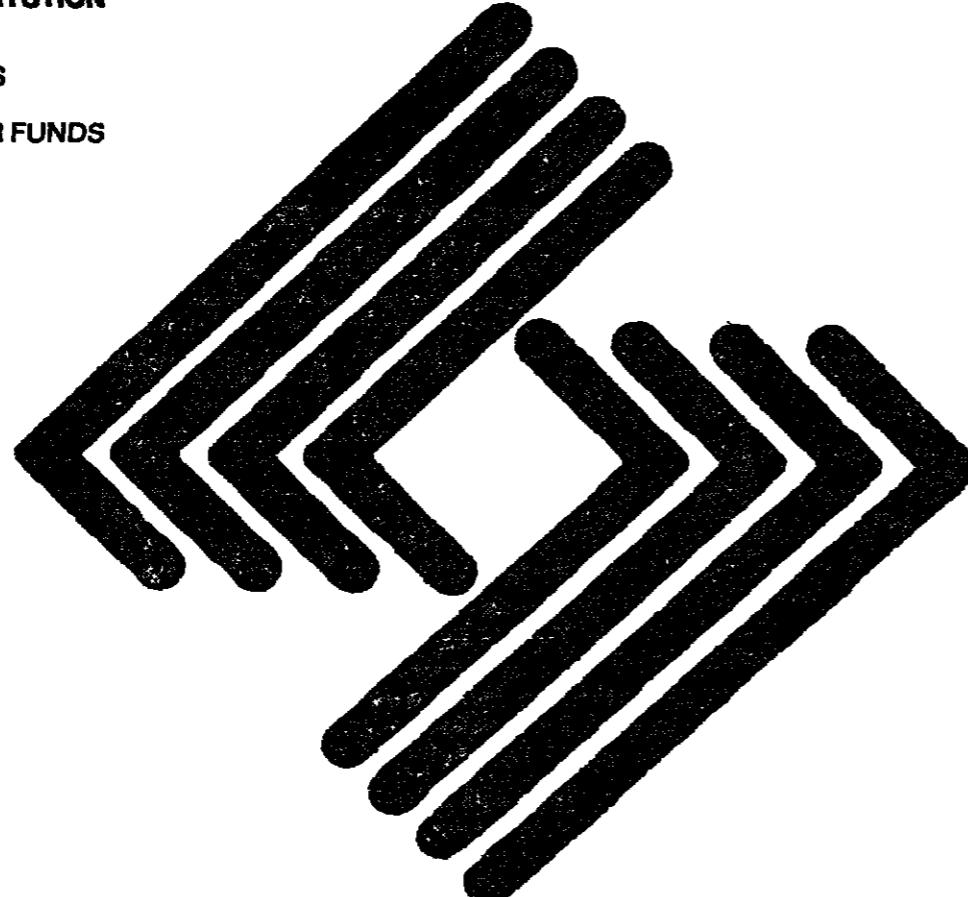


CREDIOP

CONSORZIO DI CREDITO PER LE OPERE PUBBLICHE

PUBLIC LAW CREDIT INSTITUTION
ESTABLISHED IN 1919

CAPITAL AND RESERVES
LIT. 488,330,295,319
PROVISIONS AND OTHER FUNDS
LIT. 1,188,690,085,844
LOANS OUTSTANDING
LIT. 18,270,746,739,097



HEAD OFFICE:

ROME
VIA QUINTINO SELLA, 2
TEL. 06-47711
TELEX 611020 CRDPRO I

REGIONAL OFFICES:

MILAN
CORSO EUROPA, 12
TEL. 02-780379/780450
NAPLES
VIA MEDINA, 40
TEL. 081-264566/264781
BARI
VIA ROBERTO DA BARI, 119
TEL. 080-216469/232476

Reginald Dale, U.S. editor, reports on the different perceptions on both sides of the Atlantic

New pressures on U.S. European relations

IT IS a commonplace of modern American Administrations that they quickly get fed up with Europeans—West Europeans, that is. The refrain from Washington has even acquired a certain monotony.

Europeans, the Americans say, complain when they do not have American leadership and then complain even more strongly when they do. They complain when the dollar is weak, they complain when the dollar is strong. They complain when they are not consulted and they complain when they are—invariably their views are not taken sufficiently into account.

That may be a parody of the U.S.-European relationship in the 1960s, but it is certainly true that is believed by many leading Americans in Washington, not to mention much of the general public. The general public also tends to believe that Europeans are self-seeking, decadent and unwilling to make a serious contribution to their own defence.

Californian

Many members of the Reagan Administration undoubtedly feel much the same thing at least at the back of their minds. The Reagan Administration is not overly preoccupied with European affairs.

The background of President Ronald Reagan, and many of his closest advisers, is Californian. Mr Reagan believes

Stewart Fleming in Washington examines the rash of irritations in economic relations between the U.S. and Europe.

Many issues unresolved

WHEN CONGRESS finally packed its bags last month and headed home for the long Christmas break, it had at the eleventh hour, cleared up one issue which could have become another irritant in relations between the U.S. and the Common Market countries by voting to approve the \$8.4bn U.S. contribution to the International Monetary Fund.

But it left behind in Washington a rash of other issues which will ensure that diplomats on both continents will have to work hard in the U.S. Presidential election approaches to ensure that relations in the economic sphere do not deteriorate again to the levels of disharmony apparent in 1982.

Last year was widely seen as one of the worst in recent memory for economic tensions between the U.S. and the EEC. A recession in the U.S. and in the Common Market countries exacerbated in the eyes of many European policymakers by a combination of monetary and fiscal policy in the U.S. which forced Europe, to the repercussions of volatile U.S. interest rates, was at the root of the problem.

But on top of fundamental misunderstandings in the field of economic policy, lay further tensions in the trade field and, of course, the bitter dispute over the Reagan Administration's efforts to embargo the export of gas pipeline equipment to the Soviet Union while at the same time continuing U.S. grain sales to the East Bloc. The U.S. decision finally to retreat on the gas pipeline ban, although clearly justified, coupled with the vote face which the Federal Reserve executed on monetary policy in the face of the developing country debt crisis in late 1982, have helped to create a better framework against which economic issues can be debated.

Upturn
The U.S. economy has, against most predictions, roared back into life this year at a rate which economists judge to be typical of the vigorous economic upswing America has come to expect in the first year of an economic recovery.

The strength of this upturn has already encouraged international agencies such as the International Monetary Fund to revise upwards its estimates for economic growth in 1984 and has formed a foundation from which, it is hoped, both the industrial and the developing world may be able to climb out of recession.

The emphasis here, however, still remains on the possibility rather than the probability of such a world wide economic recovery occurring. Mr Helmut Schmidt, the former West German Chancellor, or the Exchequer is not the only experienced politician and economist who still doubts whether the U.S. recovery will be sustained much beyond the latter half of 1984.

One reason for the doubts was the failure of the Congress last month to make any progress whatsoever with the ambitious targets it set itself for reducing the intractable \$200bn dollar Federal Budget deficit, a deficit which even Reagan Administration officials such as Mr Martin Feldstein, chairman of the Council of Economic Advisors

that the Pacific is more important than the Atlantic, as they quickly get fed up with Europeans—West Europeans, that is. The refrain from Washington has even acquired a certain monotony.

Europeans are seen at their sharpest in today's Washington in the broad field of East-West relations. The last year has not seen a major dispute of the row over the Siberian natural gas pipeline in 1982. But there has been no change in the underlying political and philosophical divisions—indeed the Reagan Administration, with its black-and-white approach to the world has if anything brought them sharper focus.

Mr Reagan believes that Soviet-inspired Communism is to be confronted wherever it is found around the world and that Moscow is at the heart of an "evil empire". Europeans tend to believe that they must live with their vast Soviet neighbour, and that tension is best reduced by developing contacts, particularly in the trade and economic field.

The Reagan Administration wants to restrain Western exports of high technology to the East Bloc, which happen to be the source of considerable revenue for West Europeans, while it sees nothing wrong with grain sales to the Soviet Army ("feeding the Soviet Army," as Mr Reagan's right-

wing critics charge), which happen to benefit electorally important American farmers.

The Europeans are also more widely seen as letting the U.S. down in the clash between the two ideological systems, whether it be in votes in the United Nations, failing to impose economic sanctions or in opposing the U.S. invasion of Grenada—a major move, in Washington's view, against Soviet-backed worldwide Marxist expansionism.

The biggest strain in the alliance in recent months has stemmed precisely from the Grenada incident, and particularly from the British attitude to it. Even the Anglophile defence secretary, Mr Caspar Weinberger, was enraged by Mrs Thatcher's repudiation of the U.S. intervention, particularly given the foreign policy risks that the Reagan Administration took in supporting Britain over the Falklands.

Strain

The strain in Anglo-U.S. relations, like many misunderstandings in the past, will soon pass—although the incident has once again demonstrated that London still attaches excessive

nostalgic importance to a "special relationship" that most of today's Americans have never even heard of.

In the broader sense, however, the Grenada invasion allowed Europeans to amplify their own fears—totally mis-

guided in Washington's eyes—that Mr Reagan would prove trigger-happy in starting a nuclear war. The Grenada invasion, fortuitously, came only days before the new generation of U.S. cruise and Pershing 2 missiles were due to start arriving in Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would undoubtedly have led to a major reassessment of U.S.-European relationships in Washington. Senior U.S. officials have warned that things would never have been the same again—the Europeans would finally and irredeemably have proved that the parodic picture of them was real, and the next step would have been mounting political pressure in Washington for the withdrawal of all American forces from Europe.

Deployment has saved the day, at least for the time being. But, given the growing differences of perception between the two sides of the Atlantic—and the emergence of a new generation that does not remember World War II—the pressures that could cause a serious rupture in the Alliance are more likely to strengthen than weaken.

would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would undoubtedly have led to a major reassessment of U.S.-European relationships in Washington. Senior U.S. officials have warned that things would never have been the same again—the Europeans would finally and irredeemably have proved that the parodic picture of them was real, and the next step would have been mounting political pressure in Washington for the withdrawal of all American forces from Europe.

Deployment has saved the day, at least for the time being. But, given the growing differences of perception between the two sides of the Atlantic—and the emergence of a new generation that does not remember World War II—the pressures that could cause a serious rupture in the Alliance are more likely to strengthen than weaken.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.

Failure to deploy the missiles would have meant tacit acceptance of a Soviet veto over weapons systems deployed in Western Europe—regardless of the number of weapons with which Moscow itself chooses to threaten Western Europe.

Now that deployment has started, the Administration is beginning to show new respect for the governments which forced it through—the British, West German and Italian—and some gratitude to the non-deploying French who supported it. Otherwise, U.S. relations with the Socialist Government of President Mitterrand remain at a level of almost sycophantic heatlessness.</

EUROPE IV

Most governments are not sending high-calibre senior politicians to Brussels, creating a lack of confidence among the delegated officials, as John Wyles reports

Doubts about Commission

THERE IS a notable consensus in Brussels that the European Commission headed by M. Gaston Thorn is one of the weakest in the history of the Community. This opinion is particularly strongly held by officials in the national delegations to the Community and is even widespread among senior Eurocrats who serve the Commission.

M. Thorn himself is frequently held to be incapable of effective leadership while many of his colleagues are thought to be of low calibre and lacking sound political sense.

Obviously, this is not a happy reputation for the 14 commissioners to be saddled with as they enter their last year of office. If nothing else, it may damage their prospects of fresh political employment if their governments choose not to send them back to the Commission. It is also somewhat unfair because if the Commission is held in low esteem, a lot of the blame must be laid squarely at the doors of the governments.

Consequences

It is the governments, after all, who appoint the Commissioners and in so doing, they deny the President of the Commission the right to select his colleagues. This has had two consequences. The first is that, by and large, governments have not managed to send high calibre senior politicians to Brussels.

This is less true of the smaller member states which attach a higher priority to having the "right man" in Brussels than of the larger countries. Small country politicians see a Commission job as a worthwhile thing to do which is likely to further, rather than handicap, their careers. In the present Commission, Mr Frans Andriessen, the Competition Commissioner from the Netherlands, and Belgium's M. Etienne Davignon, who looks after Industry and Energy, are the two best examples of able ambitious politicians for whom

there will be life after the Commission.

Sadly, Greece and Ireland have not fielded their greatest sons in Georgios Konosteforos and Richard Burke and Denmark's Poul Dahlager, while a wily bird, is not as effective in the agricultural portfolio as his admittedly outstanding predecessor Finn Gundelach.

The big countries, meanwhile, which each send two Commissioners to Brussels, seem to be having increasing difficulty in raising potential candidates out of national life and persuading them of the value of passing at least five years in Community affairs.

This is particularly true of West Germany whose Commissioners share with a succession of German governments the inability to assert their country's potential weight in Community affairs.

France has a rather better record in appointing Commissioners who both make a mark in Brussels and are national politicians in their own right. M. Raymond Barre, the former Prime Minister, and M. Claude Cheysson, the present Foreign Minister, have both done important spells in the Berlaymont in Brussels.

The present French Commissioners, M. Francois Xavier Ortoli and M. Edgard Pisani, both have past Ministerial experience. A former Commission President, M. Ortoli has been an important asset to the present Commission and has worked to some effect behind the scenes in persuading governments of the need for greater co-ordination of their economic policies. His colleague, M. Pisani, is the Commissioner for overseas development and is altogether more eccentric and politically erratic.

Of the two present Italian Commissioners, Lorenzo Natali, who looks after the enlargement negotiations, is regarded as more effective than his colleague Antonio Giolitti (Regional Policy), but neither is a very good example of influence on Commission policies.



RONCAGLIA OPR FLOUR MILLS THE KEY TO PROFIT

The flour milling technology developed over the past 30 years by Roncaglia OPR enables individual growers and farming cooperatives to set up their own independent flour mills.

RATIONALISATION: WITH SPACE AGE TECHNOLOGY RONCAGLIA OPR

Roncaglia OPR flour mills have rationalised the processing of grains (wheat, maize, oat, barley, rice, rye, sorghum, millet, etc.) into flour and drastically cut initial investment costs. The Roncaglia OPR mill goes everywhere, even where public facilities are almost absent; even where there is no electricity thanks to its own generator. Its modular design means it can be adapted to meet the demand by means of modular enlargements.

LOW INVESTMENT
The investment for the installation of Roncaglia OPR flour mill is the lowest possible today in the field. A simple structure 5 metres high is enough to house Roncaglia OPR plants. Installation time never exceeds 30 days.

TRAINING
Buyer's local staff is trained both at Roncaglia

OPR works and mills thus to ensure complete knowledge and expertise on plants and flour milling.

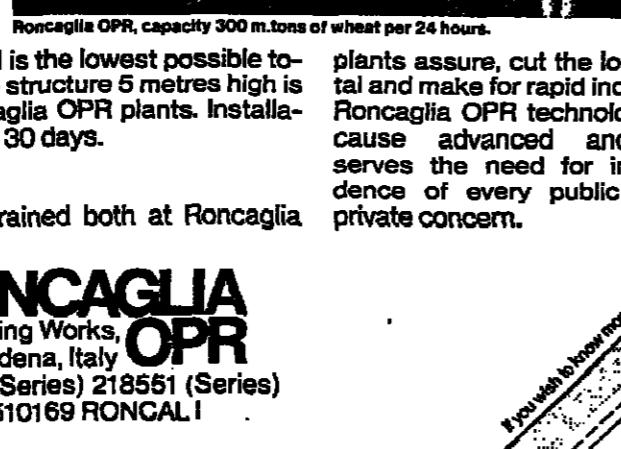
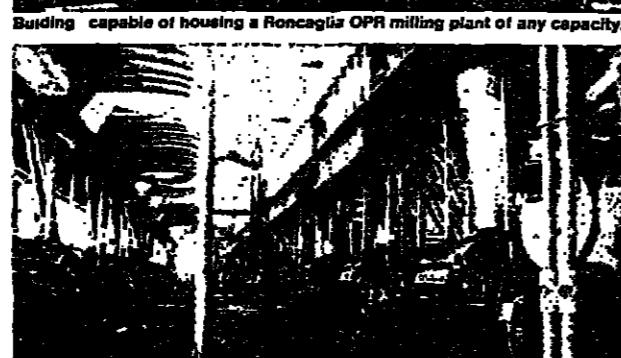
On-site installation and start-up are carried out by experienced technicians whose cooperation with the clients guarantees gradual smooth and easy plant commissioning.

SELF-SUFFICIENCY

A network of autonomous Roncaglia OPR milling plants throughout the nation allows self-sufficiency flour production in every centre of consumption. By means of that, agricultural producers, whether individuals or cooperatives, with the installation of Roncaglia OPR mills, directly contribute to the socio-economic development of their country.

INDEPENDENCE

The high returns Roncaglia OPR internationally patented plants assure, cut the lockup time for capital and make for rapid industrial growth. Roncaglia OPR technology, valid because advanced and simple, serves the need for independence of every public and private concern.



RONCAGLIA
Engineering Works,
OPR
P.O. Box 519, 41100 Modena, Italy
Phone: 39-59-218899 (Series) 218551 (Series)
Telex: 213384 216089 510169 RONCALI

In Christopher Tugendhat and Ivor Richard, the British have Commissioners who want careers back in national politics but who have yet to demonstrate in Brussels that they are politicians of special qualities.

Nominee
M. Thorn, like previous Presidents before him, was the joint nominee of Community heads like his predecessor, has laboured with the difficulties of working with colleagues who were not of his choice and with a system of job allocation which denies the President prime ministerial powers to his advantage. But he got off to an unfortunate start in January 1981 by allowing M. Davignon to secure two of the Commission's best portfolios—energy and industrial affairs.

This has given the Belgian Commissioner inordinate power within the Commission which he has never been reluctant to exploit. It also meant that there were insufficient jobs of any importance to share out among the other Commissioners. Ireland's Mr Burke, who replaced Michael O'Kennedy in 1982, is, for example, underemployed.

M. Thorn's inability to exercise consistent authority has become an important source of the Commission's weakness. His approach to decision-making is too often that of a chairman lacking any clear conception of what the Commission should be doing on the issue in question. Too often his primary concern is said to be an anxiety to win the lowest common denominator of agreement out of his colleagues.

The results often leave the Commission open to charges of inconsistency and weak political judgment.

Thus, the Commission's approach to reforming the Common Agricultural Policy in 1983 departed in several major respects from the strategy adopted in the spring of 1981 which was altogether tougher. M. Thorn would argue that the later proposals were more "politically realistic," but if the Commission is failing to face member governments with the requirements for tough decisions, there is no other EEC institution capable of so doing.

One measure of the Commission's effectiveness is the extent to which its proposals are the basis for the key decisions taken by the Council of Ministers. Given the range and variety of decisions taken every year, generalisation is almost impossible. But key 1981 proposals for reforming the Regional Development Fund have had to be fundamentally revised two years later.

There are also good reasons to doubt whether final agreements between member states to economise on the CAP and solve the British budget problem will bear much detailed resemblance to the Commission's original thinking.

But there are very precise limits on what this or any other measure could achieve in the face of the inertia which grips council decision-making. Economic recession, conflicting national interests and clashing political ideologies have gravely weakened the Community's political development over the past five years.

This has given the Belgian

Commissioner inordinate power within the Commission which he has never been reluctant to exploit. It also meant that there were insufficient jobs of any importance to share out among the other Commissioners. Ireland's Mr Burke, who replaced Michael O'Kennedy in 1982, is, for example, underemployed.

M. Thorn's inability to exercise consistent authority has become an important source of the Commission's weakness. His approach to decision-making is too often that of a chairman lacking any clear conception of what the Commission should be doing on the issue in question. Too often his primary concern is said to be an anxiety to win the lowest common denominator of agreement out of his colleagues.

The results often leave the Commission open to charges of inconsistency and weak political judgment.

Thus, the Commission's approach to reforming the Common Agricultural Policy in 1983 departed in several major respects from the strategy adopted in the spring of 1981 which was altogether tougher. M. Thorn would argue that the



M. Gaston Thorn in the chair as president of the European Commission. Leadership and the standing of the 14 commissioners is regarded as being at a low level as they enter their last year of office

Rhetoric and complaints strain relationships with the U.S. and point up divisions in Brussels.

Conflicts with Washington

A VIEW held by some diplomats and Community officials in Brussels is that the Common Agricultural Policy, even reformed, will be as much due to the campaigning of the Reagan Administration as to the efforts of member governments. Left to themselves, it is said, member governments have too little interest and incentive to make any radical changes to the CAP. Their awareness of its shortcomings, however, is said to have been made much more acute by Washington's sustained attack on the EEC's use of export subsidies to dispose of its surplus production.

One does not have to accept all of this argument to acknowledge that U.S. efforts may be a positive influence for change to the CAP. Nor should the enormous resentment created by the Reagan Administration's tactics be forgotten.

Complaints
The avalanche of formal complaints to the General Agreement on Tariffs and Trade (GATT), hostile rhetoric and the snatching away of a traditional EEC market for wheat flour in Egypt through a deal between the United States and the European Economic Community has done nothing to improve Europe's relations with the U.S. at a time when they have been under strain on other fronts.

Added together, the points of conflict point to a badly troubled relationship, although NATO diplomats constantly reaffirm that commercial and other tensions have not had any adverse impact on the Alliance.

Having settled the 1982 row over European sales of equipment for the Soviet gas pipeline and EEC carbon steel exports to the U.S., Euro-U.S. relations have had to cope this year with

the grumbling agricultural row, the imposition of special tariffs on imports into the U.S. of European special steels, the "unitary taxation" system imposed by some American states on foreign companies and differences of approach to several international financial and monetary issues.

Clearly, these disagreements are not all of equal gravity. Differences with the U.S. over funding by the International Monetary Fund and how to handle the Third World debt crisis are seen in Europe as part of the warp and woof of dealing with the kind of conservative administration that President Reagan leads.

The main protagonists, Britain, France and West Germany, are themselves somewhat ideologically divided and have not reached common positions on financial and monetary questions without some difficulty. They remain at odds over the extent to which exchange rate instability can be countered by official intervention and over the degree of financial help that should be given to countries with heavy overseas debts.

The special steels row creates rather more anxiety because it is seen as a symptom of the Reagan Administration's sensitivity to protectionist lobbies in the run-up to the next presidential election.

The sensitivity extends, naturally enough, to the U.S. Congress which is quite capable of passing legislation in the coming year which might, for example, limit sales of French and Italian wine in the U.S.

Agriculture still looks to be the most troublesome issue for the next 12 months. Federal aid and the Payment in Kind arrangements have helped make

this year a far less financially painful time for U.S. farmers than the past few years. But Europeans do not expect the U.S. farming lobby to relax its pressure in an election year and fear of provoking retaliation is giving them pause over two key issues in the EEC's CAP reform negotiations.

The first is the European Commission's proposal to seek a standstill on the Community's \$45bn a year imports of U.S. cereals substitutes, principally maize gluten feed. A by-product of the manufacture of artificial sweeteners, maize gluten feed has become an immensely popular animal feed in the EEC because of its price advantage over domestic EEC cereals production.

The other Commission proposal which has outraged Washington, an EEC tax on all oils and fats, has much less chance of adoption. The U.S. fears that it will eventually hit its \$4bn exports of soy to the EEC on the grounds that once accepted it will be progressively increased so as to boost butter sales in the Community by raising seed oil prices.

Surplus
The rationale for trying to peg back imports at about present levels is the need to create a larger domestic market for surplus cereals. The impact on production costs, the Commission argues, should steadily fall if the Commission succeeds in its objective of aligning its cereals prices with those of other major world producers.

The Reagan Administration is deeply opposed to this proposal and has lobbied hard and effectively against it. There is little chance of the Community negotiating a standstill on imports since the Federal Government is not empowered by U.S. legislation to negotiate voluntary restraint arrangements.

The Commission's objective would, therefore, have to be secured through the GATT and compensation would have to be offered to the U.S. in the form of trade concessions.

The British, the Dutch, the

Super-power parity has become the Soviet Union's obsession

Moscow's attention on the U.S.

MOSCOW is obsessed with the United States far more than with Europe and there is more than a hint of a lover jilted in the bitterness of Soviet reactions to the harsh rhetoric of President Reagan.

It has not always been like that, however. The first decades of the Soviet state, the priority was to survive in a hostile and suspicious European environment and then to build up its economic and military strength against Hitler in the West and his ally Japan in the East.

But the overwhelming ambition to achieve super-power parity with the United States has steadily taken on the character of obsession ever since Stalin's victory over the Nazis at Stalingrad first opened up the alarming vista of Soviet super-power status.

The end of World War II brought the Red Army to the Ebe. Soviet political, economic and military hegemony over the nations of Eastern Europe remains today one of the assets which enable the Soviet Union to play its great power role.

Maintenance of this control remains therefore one of the top Soviet foreign policy objectives.

That said, the nature of its relationship with Eastern Europe has changed from the simple exploitation of the post-war years. As in the Soviet Union itself nationalism is

proving a much more potent force than marxist or any other ideology.

Given the longstanding nature of the national and cultural rivalries of the region the Soviet Union has acknowledged that nationalism can be played two ways.

First, a start, recognising limited national variants of the basic Soviet model has permitted the survival of considerable national and cultural autonomy in Eastern Europe.

Unrest

In recompence Moscow has had the satisfaction of never having to face anything like a unified rebellion of the Soviet model or Soviet control and has been able to keep unrest limited to a single country at a time or at least prevent dangerous international links. East Germany in 1953, Hungary and Poland in 1956, Czechoslovakia in 1968, Poland again since 1980, have all been essentially limited national outbreaks, containable by a mixture of force, blandishment and continual pressure.

Meanwhile the organisation of East European military forces into the Soviet-controlled Warsaw Pact organisation and efforts to build on East European dependence on Soviet oil and raw materials by encouraging greater economic integration through Comecon have also added to the economic

skills and economic capacity available for the modernisation of Soviet industry and agriculture.

The latest Soviet move has been to persuade Herr Erich Honecker of East Germany and President Gustav Husak of Czechoslovakia to deploy and pay the cost of new Soviet tactical nuclear weapons on their soil, ostensibly in reply to the cruise and Pershing 2 deployment in the West.

Paving sealed off the two halves of Europe by an iron fence, building walls and fences and beyond, the Soviet Union over the past 15 years in particular has moved to improve its political, economic, financial and even cultural ties with Western Europe.

But the greatest progress was made at the beginning with the 1971 four-power agreement on Berlin and the Soviet Union and East Germany.

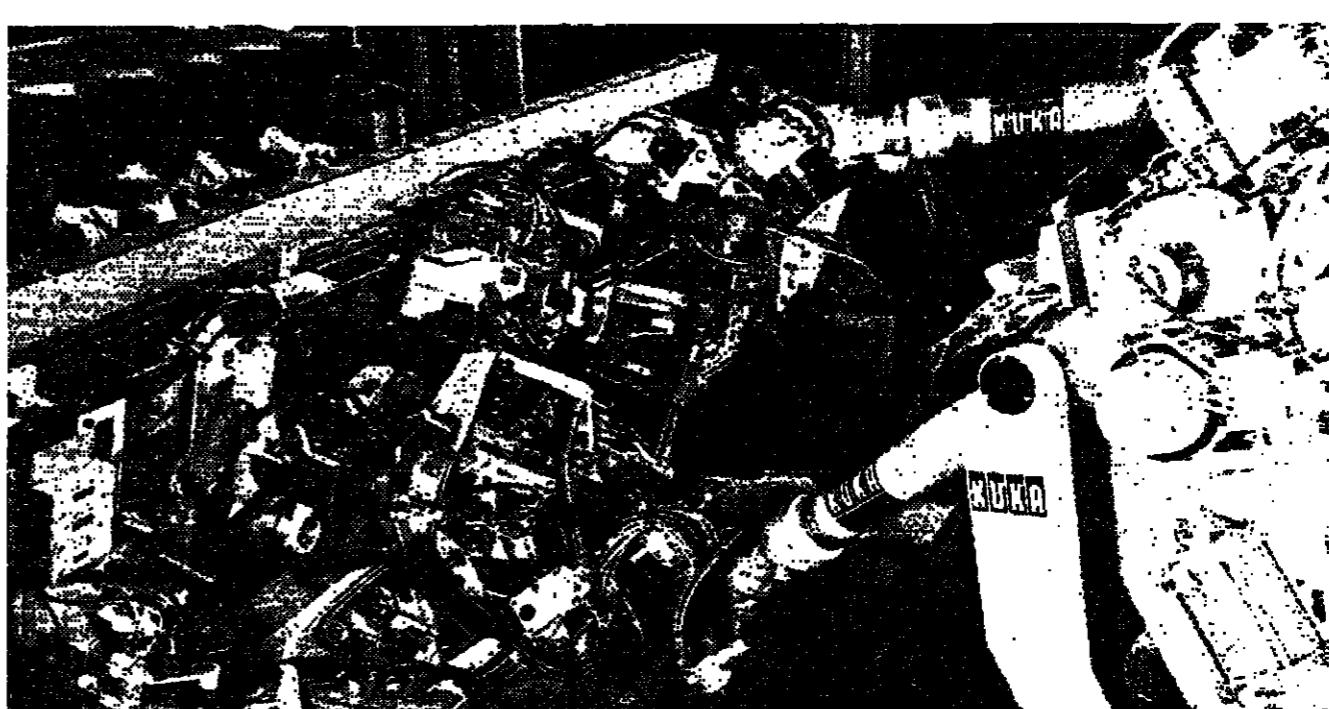
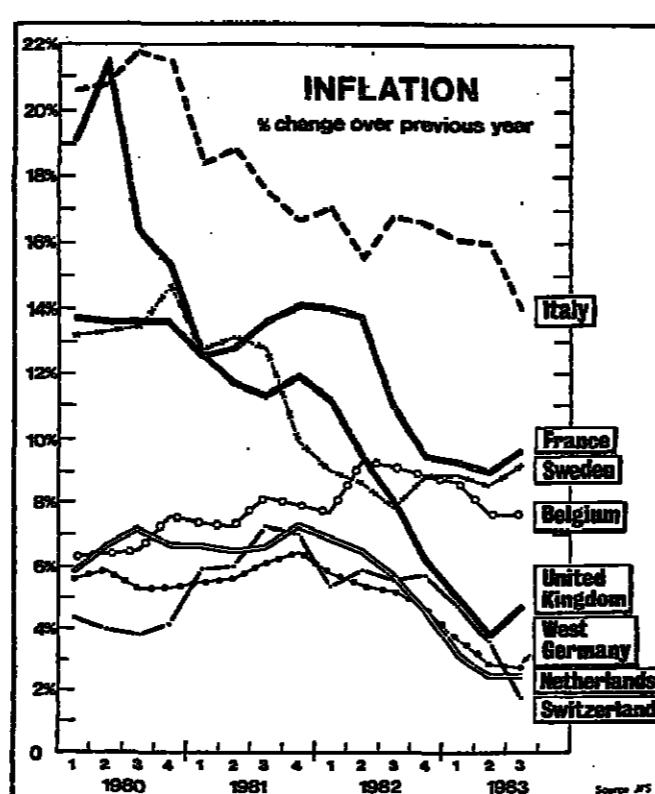
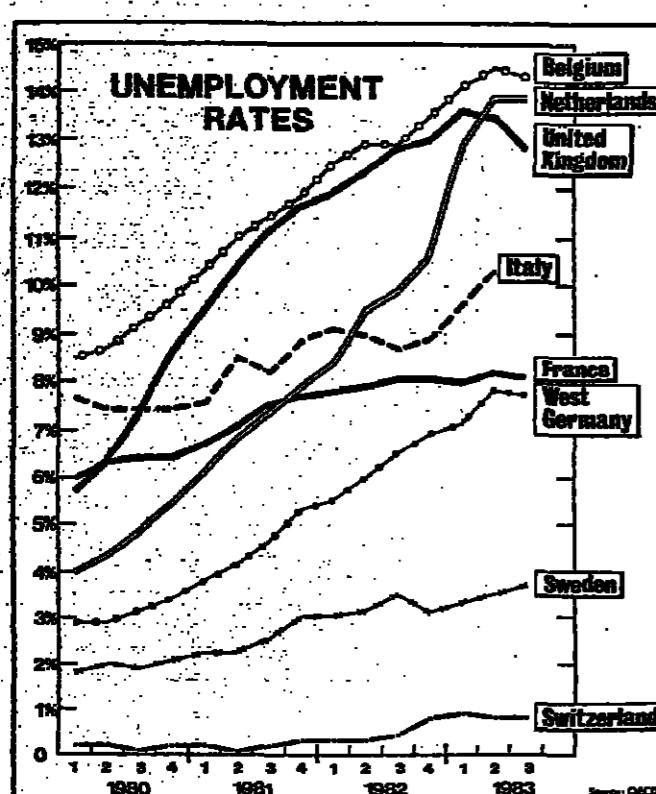
West Germany is and will remain the most important European state in Soviet eyes partly because the existence of a divided Germany gives it more leverage elsewhere. The Americans also see West Germany as the most important European power and successive free elections in West Germany have consistently shown the country's loyalty to the western alliance.

Nothing would more successfully tip the balance of power in the Soviet direction. Unfortunately for Moscow that is well understood across the Atlantic, although sometimes Europeans do wonder.

Anthony Robinson

ECONOMY

EUROPE V



Europe's motor manufacturers have invested heavily in new capital equipment in a bid to match Japanese levels of efficiency. Fixed investment by industry in general has been badly hit by the recession, however, and this could prove to be a brake on efforts to reduce unemployment

Max Wilkinson, Economics Correspondent, sees signs of a pick-up in activity in most major countries in Europe

Prospects tied to strength of U.S. recovery

AFTER TWO years of stagnation there are now some encouraging signs of a pick-up in economic activity in Europe.

The UK was the first country to go into recession and has plunged deeper than other countries but it has also been the first to show significant signs of recovery.

The UK Treasury's forecast that output in 1983 will be 3 per cent above last year's level, followed by further growth of 3 per cent in 1984, is substantially better than current forecasts for any other European country.

In Europe as a whole growth of less than 1 per cent is generally expected for this year, with a fall of perhaps 2 per cent in the Italian economy, output and both growth in France or West Germany.

The prospects for Europe therefore depend crucially on the continued strength of recovery elsewhere in the world and particularly in the U.S., Canada and Japan.

The vigour of the U.S. recovery has continued to surprise commentators. Moreover, the growth rate in the third

quarter showed an annualised rate of 7.9 per cent, considerably higher than the financial markets were expecting. There is every indication that recovery will continue to be robust in the third quarter, and the UK National Institute of Economic and Social Research (NIESR) is predicting growth of 3.3 per cent this year in the U.S., accelerating to an annual increase of 5.4 per cent in 1984.

Doubts on recovery

Some commentators, however, believe the rate of recovery in the U.S. will falter next year as a fall of perhaps 2 per cent in the Italian economy, output and both growth in France or West Germany.

The prospects for Europe therefore depend crucially on the continued strength of recovery elsewhere in the world and particularly in the U.S., Canada and Japan.

However, even if there is some slowing down in the rate of U.S. growth next year the

summer forecast of the Organisation for Economic Co-operation and Development (OECD) of 4.1 per cent U.S. growth for 1984 would still command general support.

Continued U.S. recovery will be of crucial importance to several European countries, particularly France and Italy, both of which seem set to move deeper into recession.

In France recent surveys of business confidence have appeared unfavourable, with concern still expressed about excessive stock levels. Consumers' expenditure has appeared static or falling under the impact of the increase in taxes announced in the budget and the continued fairly rapid inflation rate in relation to the rise in earnings.

The French Government is predicting a rise of 1 per cent in output next year but some commentators are sceptical, in view of the uncertainty as to whether the lowest point in the stocks cycle has yet been reached.

In Italy the outlook appears

even gloomier after a second quarter in which Gross Domestic Product was 3.1 per cent below its level a year earlier and industrial production 9 per cent lower.

For 1983 as a whole a substantial fall in investment, with some reduction in consumers' expenditure, is generally expected to lead to a decline in output of perhaps as much as 2 per cent. If growth resumes next year it seems likely to be at a fairly slow rate.

The West German economy, on the other hand, has been performing somewhat better than was expected at the start of the year. Output rose by 1 per cent in the first half of the year and there are indications that despite the Government's tight fiscal regime modest recovery will continue next year as increased investment and some rebound of exports take over from consumer spending as the main engines of growth.

Overall the NIESR predicts a European growth rate of 3.3 per cent next year, almost exactly the same as the OECD's July

forecast.

However, although there has been some evidence in the UK and elsewhere that the rise in unemployment may be coming to an end there is still no widespread evidence that a decisive turning point has been reached.

Rates of increase

Moreover, the rates of increase in output now envisaged seem hardly more than enough to absorb the expected increase in productivity and the rising number of people available for work without providing much additional expansion to bring about a reduction in the number unemployed.

Considered fears have also been voiced that the recent recession may have led to a depletion of the capital stock in Europe. The increase in fixed investment in the developed world has declined to an annual average of only about 1 per cent during the last 10 years compared with an annual increase of about 6 per

cent in the 1960s and early 1970s.

There is some doubt therefore whether adequate capacity exists to reduce unemployment at anything but a fairly slow rate.

For the immediate future there seems little prospect of any significant effort by European governments to accelerate the rate of growth by increasing budget deficits and government consumption. The conservative governments in the UK and West Germany have declared their commitments to continue tight fiscal policies. In France the collapse of the Socialist Government's attempts to expand demand have led to a reaction of perhaps even greater fiscal severity than in

whole the current inflation rate of about 8 per cent (down from 10.4 per cent last year) still looks uncomfortably high compared with the current inflation rates in Japan and the U.S. Despite the recent progress against inflation in other countries' meetings of heads of state and Finance Ministers in the past year have continued to emphasise the need for policies which will combat inflationary forces.

The lowest

Even in West Germany, where the current inflation rate of about 8 per cent is the lowest among the larger industrial countries except Japan, the thrust of policy continues to be anti-inflationary.

This concern with inflation seems likely to limit for some time being any desire by European countries to risk a substantial fall in their currencies against the dollar.

For this reason interest rates seem set to remain broadly in line with those prevailing in the developed world.

In Western Europe as a

whole the short term, there appear to be three factors pointing to a maintenance of present rates and perhaps some increase during 1984. They include:

- The continuing prospect of high federal budget deficits of around \$200bn a year.

- Suggestions that companies' borrowing needs may revive if the recovery continues its vigour.

- Market fears that economic recovery and perhaps a more relaxed monetary policy in the face of large deficits could lead to some acceleration of the inflation rate.

For all these reasons it seems unlikely that European interest rates will fall substantially. However, a sharp fall in the dollar could alter the picture. Some, but by no means all, commentators believe this will follow the widening U.S. trade deficit.

Meanwhile the U.S. recovery, and the high value of the dollar, should help to open the U.S. market to these European companies in a position to take advantage of their improved competitiveness.

European banks are heading for a healthier year for profits, believes David Lascelles

Climate for profits improves

DESPITE the shocks caused by the crisis at Schroder Münchmeyer Hengst last month, 1983 is turning out to be a better year for European banks—though that may not be saying much after 1982. A healthier economic climate and generally easier interest rates are helping bank profits, and bad loans are being digested.

Looking ahead, the topical issues in 1984 are likely to centre on regulatory reform and new technology.

In fact it was precisely these bankers who were feeling a little more confident that the SMH affair caused such a stir. By exploiting loopholes in the West German bank regulations, the small but prestigious Frankfurt bank vastly overtaken to IBH, the struggling German engineering group, and was pulled to the brink of collapse.

Some quick footwork by the Bundesbank and the large German banks averted another Heerstatt-style debacle but the consequence is likely to be a tightening of German bank laws. Herr Gerhard Stolzenbach, the Frankfurt banker, has now promised to push ahead with a long-delayed law that would force German banks to consolidate their accounts and prevent them concealing activities channelled through subsidiaries, mainly in Luxembourg.

Resisting

Large German banks already voluntarily disclose the business of unconsolidated subsidiaries, but they are resisting the new law because it will also oblige them to apply Germany's conservative capital gearing ratios to highly leveraged subsidiaries. Although the new law is likely to be phased in, this would force the German banks to raise more capital or restrain growth for a while.

A new law would, however, be welcomed outside Germany where other European bank supervisors are pressing for more consolidation. Earlier this year, Mr Peter Cooke, head of supervision at the Bank of England, said consolidation "means that there is centralised oversight of an international bank's overall business so that the risk exposure and capital adequacy can be judged in the context of its operations worldwide."

This summer an international committee of bank supervisors headed by Mr Cooke also tightened up the Basle Concor-

EUROPE'S LEADING BANKS

	Assets	Capital	Pre-tax profits	Capital assets ratio	Number of staff
	\$bn	\$m	\$m	%	
BNP	109.9	1,476	271	1.34	51,299
Credit Agricole	98.5	4,675	n.a.	4.74	70,790
Credit Lyonnais	96.7	2,118	383	4.5	45,471
Barclays	95.3	4,462	799	4.68	120,000
NatWest	87.9	4,122	709	4.68	88,000
Société Générale	85.7	2,344	234	3.56	46,462
Deutsche Bank	83.3	2,732	555	3.27	45,618
Midland Bank	77.4	2,520	405	3.25	91,400
Dresdner Bank	57.6	1,662	217	3.88	7,436
WestLB	55.7	1,670	79	3.59	7,223
Lloyds Bank	55.6	2,151	516	5.56	28,453
UBS	53.3	2,745	347	3.14	14,983
Paribas	51.8	2,148	344	3.16	46,462
Swiss Bank Corp.	49.5	2,530	226	5.21	14,222
ABN	47.2	1,423	203	3.23	22,453
Commerzbank	45.1	1,151	114	2.55	21,393

Source: The Banker Top 500 June 1983.

integration of the European retail banking industry is due next year when banks in France, Germany, Spain and the UK are to conduct an experiment to link automated cash machines.

Under the auspices of Eurocheque, the association of 15,000 European banks, the scheme will allow tourists from Germany and the UK to use their plastic cards to withdraw cash from machines in France and Spain. If it is a success Eurocheque hopes to extend it to include some 15,000 machines in more than a dozen countries for the 1985 tourist season.

This will effectively lay the groundwork for a new era of cashless travel in Europe, and launch cross-border bank co-operation at the retail level into the electronic age.

The scheme is based on a uniform code that will be set in the magnetic stripe on the standard Eurocheque card and will operate any machine programmed to take it. The traveller need only punch in his account number. Instructions on the machine will be in several languages and he will be able to withdraw the equivalent of SwFr 300 a day. The transaction will be cleared through the Eurocheque clearing system which already handles billions of international paper-based transactions a year.

In the next year or so, banks will also have to make major decisions on domestic payments systems such as electronic funds transfer at the point of sale (EFT/POS). The British banks, for example, are due to announce any day now what systems and technology they are opting for as they set about establishing a pilot project by 1986.

To some extent these moves are defensive. European banks are beginning to feel competitive pressure from organisations like American Express. They are also being increasingly challenged on their home territory by "near-banks" like, in the UK, the building societies, who are not only winning away deposits but also supplying banking services.

At the recent Eurocheque Congress in Lisbon, Dr Eckart van Hooven, of Deutsche Bank, and one of the leading advocates of international co-operation among banks, said European banks would have to develop common policies if they were to hold their own against these growing challenges.

Most profitable

A new report comparing international bank profitability (by IBCA, the London bank credit rating firm) shows the British banks still the most profitable among the major countries in Europe. Their real rate of return on equity (after deducting inflation) was 7.6 per cent in 1982. The Italians came next with 6.6 per cent, followed by the Dutch with 5.1 per cent and the Swiss with 0.9 per cent. The Germans had a negative real return of 0.5 per cent, the French a negative 4.6 per cent, and the Swedes a negative 4.5 per cent.

Perhaps the most striking example of the banks' improved health was the decision in October by Commerzbank, Germany's third largest bank, to resume dividend payments after a three-year gap. The bank has now absorbed heavy write-downs

BNP

Europe's leading commercial bank

Banque Nationale de Paris, Premier bank in France, second largest bank in the world,* has an international network extending throughout seventy-eight countries.

BNP offers its clients unrivalled resources and worldwide connections concentrated in the trading and financial centres of Europe, North and South America, the Middle and Far East, Africa and Australasia.

Banque Nationale de Paris

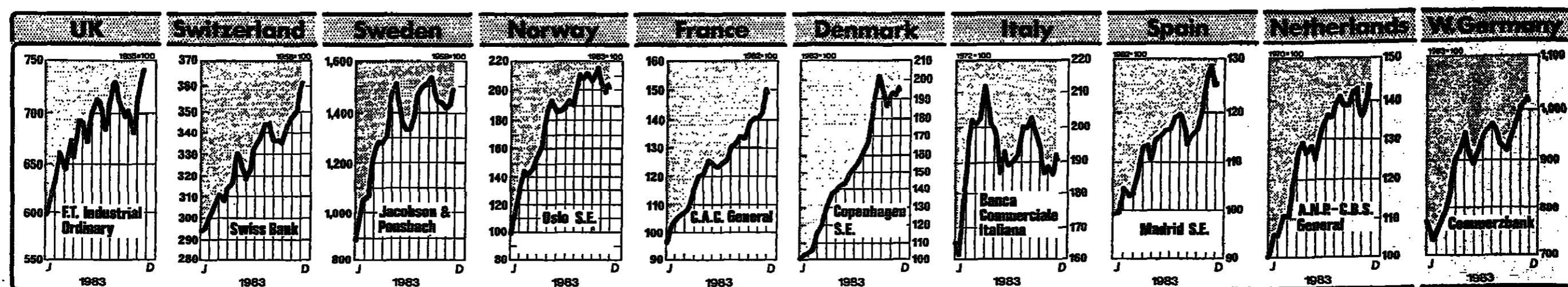
Head Office
16, Boulevard des Italiens, 75009 PARIS. Tel: 244-45-46. Tlx: 280 605.

UK Subsidiary

Banque Nationale de Paris p.l.c.

8-13 King William Street, LONDON EC4P 4HS. Tel: 01-626 5678. Tlx: 883412.

*Source American Banker July 1983.



European investors are increasingly willing to brave the unfamiliar and step beyond their domestic stock exchanges says Duncan Campbell-Smith

Americans join the chase for continental equities

ABROAD IS unutterably bloody, as well-educated Englishmen have always known; but more and more investors in the UK as well as the other countries of Western Europe have been prepared over the last year to brave the unfamiliar and step beyond their domestic stock exchanges in the pursuit of attractive continental equities.

With American buyers joining the chase—and enthusiastic enough in several instances to take the lead—it should not be surprising that support from abroad has been a notable feature on all the European stock markets in 1983, a year marked generally by dramatic price rises on the back of hopes for the economic upturn.

Cautionary tale

Another prevalent U.S. influence has been the structure of dollar interest rates, with Wall Street's weekly excitement over the U.S. money supply figures exerting an obvious pull over European share prices, most particularly in West Germany and Switzerland as well as the UK.

Indeed, for these markets the mood on Wall Street has often been as important as developments within the respective domestic economies themselves. Lower dollar rates have periodically raised hopes of a weaker exchange rate for the dollar, lower European interest rates and a more lively recovery in corporate profits.

Against this background, the relative independence of the

Scandinavian stock markets has

achieved remarkable price gains in the first half of the year. Even after some setbacks through the autumn, they have still topped the European performance ratings.

In Sweden, the devaluation of the krona in October, 1982 provided an immediate and powerful boost for the country's major industrial corporations, all of whom rely heavily on non-krona sales and profits.

Significant tax incentive schemes for share ownership undoubtedly helped stimulate the Stockholm market's liquidity, while the fact that so few large Swedish companies pay anything more than a nominal domestic tax bill meant that their shares had to be sold at a high multiple as calculated against actual net income. Both the liquidity and the low multiples attracted keen foreign interest once the profits growth was expected.

The result has been an exciting year for companies like I.M. Ericsson, ASEA Laval and Electrolux. Less happily, the much increased volume of shares on the market has brought in its wake a series of mini-scandals which have prompted moves for new legislation to tighten up the reporting requirements for Swedish

Additional domestic taxes on dealing transactions were also announced last October—to allow shareholders, as the Swedish Finance Minister put it, to "contribute to strengthen-

ing the budget and the economy."

Stockholm has seen a heavy calendar of new share issues this year and this has been a feature too of the Norwegian market. Investors on the Oslo bourse have had to have strong nerves over the last few weeks, with most stock price charts looking like a cross-section of the country's coastline, fjords and all.

Encouragement

The whole Oslo market collapsed about 25 per cent in the autumn of 1982. But a firmer tone was evident before the end of last year, with some buying encouraged as in Sweden by tax incentive schemes.

This year started with several weeks of volatile price rises and for much of the remaining year, even the considerable liquidity of the Norwegian banking and money broking system has been stretched to provide for all the rights issues on offer.

These have been in full flood in the last few months; but demand has remained strong. "Broadly speaking the lights are very green for Norway," noted UK brokers Savory Millin in its October review of global investment opportunities; and the firm remains of that view as Norway's natural resources continue to build up a strong trade surplus and local equities pick up an increasingly international following.

For the Danes, a minority conservative government's success in pushing through its anti-inflation strategy has provided a sound economic basis

in the recovery. This autumn,

for investing in domestic stocks throughout 1983.

The technical grounds were already ample: oil and gas revenues have made their first real impact on the pool of investment funds this year, but investment on foreign markets has been hampered by legal restraints (many of which are due to disappear in the coming months).

Inward investment flows, on the other hand, have had few such problems. Danish pension funds selling bonds and moving the proceeds into domestic stocks have had to contend in some cases with prices racing away on the strength of some of the most concerted U.S. buy-outs in recent years.

The big attraction has been Denmark's new technology companies, and most particularly its pharmaceuticals names like Daelmefield and Christian Hansen's Laboratories as well as Novo, the latter probably the best known internationally.

It is its very lack of heavy traditional industry which has been one of Denmark's main selling points abroad; but investors in West Germany have had to weigh up the outlook for an economy still heavily concentrated on capital goods. This appears to have been less of a handicap in the first half of 1983, when hopes of cyclical recovery were strongest. Since the mid-year, however, West German equities have certainly had their problems.

In the motor sector, for example, Daimler Benz and Volkswagen were early leaders in the recovery. This autumn,

serious worries have resurfaced about VW's exposure to Latin American economies and its rate of progress in the U.S.

Again, the Frankfurt bourse was quick to register a general reaction when the giant Siemens group failed to increase its dividend in November.

In the case of the three chemical companies—Hoechst, Bayer and BASF—confidence in their recovery has been increasingly undermined by investors' perception that they have fallen far behind international competitors like Akzo and ICI in their modernisation programmes.

ICI, of course, has been one of the major success stories of the London stock market over the last 18 months and it heads most people's list of those European equities which have

most benefited from American buying. Not all the names on this list have found international attention an unmixed blessing, though.

Excitement

The share price of Philips Lamp, the Dutch electricals group, has provided a cautionary tale in 1983 of what can happen when international buyers confront unpleasant surprises. The shares doubled in the first half of the year. News of a serious setback for its video product marketing efforts has since sparked heavy selling, fuelled in large part by the disengagement of overseas investors.

Finally, there are still a few stock markets in Europe which have yet to derive much real benefit of this year's bull market

on the world's major exchanges.

If France belongs in this category, it is not so much because French equities have lagged behind—they have in fact risen quite strongly for short periods—as because they are still trading far below the levels which might be expected

in view of domestic liquidity, the range of good French companies with strong export earnings and the number of potential foreign buyers with some knowledge of the Paris bourse.

Distrust of the political environment and uncertainty about the future inflationary trends in France have bedevilled the market there. Political worries have also been a dominant influence over the performance of equities in Italy and Spain—though in both these cases a period of serious unrest in banking circles has added

another negative factor of some potency.

In Spain, the collapse of the Rumasa empire and the ensuing banking crisis has undermined what was previously regarded as perhaps the private sector's major bastion against the economic programme of Spain's new socialist government.

The crisis in Italy, meanwhile, has had even more widespread consequences, with the collapse of the Banco Ambrosiano group in 1982 focusing attention once again on the more creative aberrations of Italian accounting practices.

Investors have been especially slow to risk the uncertainties of the corporate sector against the background of a national economy accumulating debt at a rate which many London-based observers, at least, find positively alarming.

Most of the centrally planned economies are now back in healthy surplus on their hard currency trade. David Buchan reports

Comecon countries cautious over reopening doors to imports

IN A crude sense, the centrally planned economies of Comecon are superb machines for taking blunt measures to adapt to the recent vagaries of international finance and trade. Faced in 1981-82 with the general Western credit squeeze on Comecon that followed the Polish and Romanian debt crises, and unable to increase their exports to the West much because of their relative lack of competitiveness in stagnant and protected Western markets, most Comecon countries simply put the shutters down on many imports from the West.

The result is that most Comecon countries are now in healthy surplus on their hard currency trade both with the West and the Third World. The big exception is the Soviet Union, which, however, is reducing its deficit with fewer food imports because of the better 1983 harvest and with the prospect of better energy export revenues partly from increased gas sales and partly from stabilisation in the world oil market.

A partial exception is Hungary, which manages to counterbalance its trade deficit with the hard currency which it insists on getting from Comecon partners for the sale of its better quality goods.

Turnaround

This turnaround in Comecon's external finances already evident in 1982, grew more marked this year. According to Wharton Econometrics, convertible currency imports by the Comecon Seven (the Soviet Union and its six East European allies) fell a further 2.4 per cent and exports rose 2.6 per cent in the first half of last year.

This in turn pushed the Seven's collective trade surplus from \$1.2bn in the first half of last year to something approaching \$3bn, Wharton estimates.

Obviously much of this gain is being consumed in debt servicing.

Poland, with an estimated \$700m trade surplus in the first six months of this year, has nothing like enough hard currency left to pay even interest on its massive \$24bn debt, particularly since it will soon be negotiating the rescheduling of the Western government portion of that debt.

Romania and Hungary, in that order, also still have debt servicing problems. But the others in Eastern Europe are now resting more comfortably, while the Soviet Union with its massive gold reserves and raw material and energy base remains a very good risk.

Aware of this, and also of the far greater magnitude of their problems in Latin America, western banks are now looking more favourably on selected Comecon countries. Two loans (one of them a World Bank co-financing) to Hungary and one to Czechoslovakia this year are signs of this.

Clearly, then, there could be an upswing in East-West trade, with most Comecon countries in

COMECON CONVERTIBLE TRADE BALANCE (US\$M)

	Jan-June, 1982	Jan-June, 1983
Soviet Union	-867	-444
Poland	796	713
East Germany	289	*1,184
Czechoslovakia	372	499
Hungary	-376	-87
Romania	602	711
Bulgaria	314	293
• Estimate.		

Source: Wharton Econometrics, 1983.

increasing Comecon integration are numerous. First, there is disagreement about the proper terms of trade. The East Europeans are generally unhappy that the price of Soviet energy they buy is rising much faster than the prices of the machinery, equipment and food which they sell to the Soviet Union.

Then there are arguments about quality and quantities, which surfaced sharply at the recent annual meeting of Comecon prime ministers in East Berlin. The Soviet prime minister, Mr Nikolai Tikhomov, warned his fellow premiers that their countries would have to improve the quality of their deliveries to the Soviet Union.

For this reason Comecon countries have tended recently to import more food intermediate products (such as chemical feedstocks to keep plants going) and rather less equipment and machinery from the West.

This has been done to maintain living standards and industrial output—but at the expense of modernisation of much of Comecon industry. This effect of hurting the long-term competitiveness of Comecon manufacturers exports on Western markets.

The second factor causing a position to liberalise the import restrictions they imposed in 1981-82. But there are signs of hesitancy.

Events of the past few years gave Eastern planners, as well as Western bankers, a scare. They saw in Poland what could

happen when large amounts of Western technology were im-

ported without any assured

Western export market on which to earn the money to pay for the imports.

For this reason Comecon countries have tended recently to import more food intermediate products (such as chemical feedstocks to keep plants going) and rather less equipment and machinery from the West.

Speaking for the East Europeans, the Bulgarian premier reported that Moscow should state as soon as possible exactly the quantities of energy and raw materials it intended to deliver to its partners. The East Europeans are still evidently sure that Soviet oil cutbacks in 1981-82 disrupted their 1981-85 industrial plans.

Specialisation

A third problem lies in industrial specialisation within Comecon, the award, for instance, to Czechoslovakia of a lead role in nuclear power, Hungary in buses, Bulgaria in electronics and so on.

This process is always troublesome, since the specialisation agreements are inevitably as much the result of political bargaining between Comecon member governments as of the relative competitive advantage between Comecon enterprises. It is also becoming more difficult, because it is based on five-year planning which does not permit flexibility for today's rate of technological change.

A fourth obstacle to easy integration lies in the bilateral nature of trade. Despite the virtue of multilateralism provided by the Comecon organisation itself, individual governments still negotiate deliveries bilaterally.

These may roughly balance, at least until the Comecon countries create a currency truly convertible among themselves. The "transferable

rouble," as purely a unit of account, does not fill the need for an intra-Comecon means of settlement.

These problems have built up over the years. Indeed since 1971, when the communist party leaders, the highest authorities in the Soviet bloc, last met on Comecon business, another Comecon summit has been planned for the past two years, but arguments over the agenda and agreed solutions have delayed it.

There is, in fact, little the Comecon leaders can do to unscramble their national plans co-ordinated and set in train until the end of the current five-year planning period, December 1985. The latest prognosis is that the summit will take place in early 1984, depending however on the health of the Soviet leader, Mr Yuri Andropov.

One truth Comecon leaders will not be able to dodge is that no country is an island when it comes to economic reform, and that economic management changes in one Comecon country inevitably affect them all. This has always been evident on the political level.

Political changes

Moscow has been careful to check that economic reform in Comecon does not draw unwanted political changes in its wake, and in fact Soviet leaders now seem much more comfortable countries like Hungary can insulate themselves from real political liberalisation. But it has also grown obvious that Comecon partners with differing degrees of economic decentralisation or market orientation find it increasingly difficult to trade with each other. Enterprises in one Comecon country do business with enterprises in another Comecon country which has scrapped rigid output targets, and vice versa.

Yet there is a bewildering diversity of reformist trends in Comecon now. At one end of the spectrum is free-market Hungary, which Poland would like to follow if and when it can. Bulgaria has moved partially down the road to decentralisation, by making its enterprises stand more on their own feet without ministry direction or aid.

The cautious Czechs are interested in the Bulgarian model, believing the Hungarian model to be too daring for them. In the middle are the Soviet Union, where Mr Andropov has given some "experimental" autonomy to managers in five selected sectors and locations, and Romania.

At the other end of the range is East Germany, which has actually "reformed" in the opposite direction, tightening up, not loosening, its central planning system. Clearly, a Comecon summit needs to find some broad consensus on economic reform, or the Eastern trading bloc will find itself at sixes and sevens.



a decisive contribution
to Infrastructure,
Financing and Development
through the increased incentives
of Law 1262/82:

- investment grants
- interest rate subsidy
- tax exemptions
- increased depreciation



The controversial System X public telephone exchange. This Coventry "Spire" exchange was supplied by GEC and was developed jointly by British Telecom and the British telecommunications industry. The system has already cost more than £300m to develop and it has provided a focus for expertise in digital technology.

Telecommunications is becoming one of the continent's fastest growing industries

Changes needed to make most of opportunities

TELECOMMUNICATIONS, fuelled by rapid advances in electronic technology which are opening new horizons of consumer choice, promises to be one of Europe's fastest-growing sectors during the rest of this century. But making the most of the opportunities is likely to require major institutional and technical adjustments.

Most European governments see the development of a modern and efficient national telecommunications industry as an essential element in the growth of their economies as a strategic resource underpinning international competitiveness in the field of advanced technology.

In Britain, for instance, one of the official justifications for the controversial System X public telephone exchange programme, which has already cost more than £300m to develop is that it has provided a focus for expertise in digital technology, which might otherwise have been dispersed elsewhere.

As the technologies of computers and communications converge, such expertise is increasingly needed to press ahead with innovations in fields such as office information systems, factory automation, electronic banking and cable television.

The institutional and economic framework in which European telecommunications operators has, however, evolved much less rapidly than the technology. Markets are still highly fragmented and compartmentalised along national lines.

In most countries, the basic network and the provision of services on it remain firmly in the grip of state monopolies (PTTs), which have traditionally shaped the industry's development. The authorities also have extensive control over the approval and—in many instances—the supply of subscriber equipment and terminals.

Technical standards, operating procedures and policies vary widely between different European countries. Moreover, mutually-reinforcing alliances between the PTTs and favoured local manufacturers have kept national markets largely closed to outsiders and restricted equipment trade within Europe to a trickle.

There have recently been some signs of change, however. Late last month, France and West Germany agreed to set up jointly a new mobile telephone system as a first step towards opening markets in the two countries on a European basis. France will also buy about 200,000 telephones from German suppliers.

The most radical development in the past two years has undoubtedly been the UK Government's decision to liberalise the supply of subscriber equipment and services; and to licence Mercury, a privately-financed consortium, to operate a telecommunications network in competition with British Telecom (BT).

These moves were justified by the Government partly on the grounds that BT's vice-like hold was frustrating commercial innovation. The results to date have been mixed: no contenders have yet emerged to challenge

seriously BT's domination of most of its major markets. But the threat of competition has produced big changes in BT itself, which has responded with a far-reaching management shake-up and by launching a torrent of new products and services.

Most other European countries have observed the British experiment with a mixture of scepticism and bewilderment.

Though a number of PTTs have relaxed the rules over the supply of subscriber equipment to permit more competition between local manufacturers, most continue to defend stoutly their monopolies over the provision of services and basic circuit switching.

In their view, the provision of the national telecommunications infrastructure is a "natural" monopoly which must remain intact if their substantial investments in modern digital switching and transmission systems, along with new services such as videotex, teletext and packet switching are to be economically justified.

VIGOROUS But reconciling the PTTs' policies with the goal of fostering vigorous national high technology industries is becoming more difficult. Increasingly, PTTs are trying to secure best value for money by seeking more than one supplier of major network equipment. In West Germany, for example, the Post Office plans to split its orders for digital exchanges between Siemens, its principal traditional supplier, and Standard Elektrik Lorenz, the German subsidiary of ITT.

One problem, however, is that the investment needed to develop new exchange facilities has become so huge that it is no longer possible for most European countries to sustain two competing indigenous systems. That was a major factor in the recent merger of the telecommunications businesses of CIT Alcatel and Thomson in France and in the decision by Switzerland to halt plans to develop its own digital exchanges.

Philips of the Netherlands, whose home market is small by world standards, has reached a similar conclusion. It has abandoned work on its PRX digital exchange—reportedly after spending several hundred million dollars on its development—and has formed a joint venture with American Telephone and Telegraph to market AT & T's No. 5 ESS system internationally.

The achievement of optimum economies of scale, which could make it easier to recoup development costs, is frustrated by national self-interest and the perpetuation of widely differing technical standards, even for new services which are still in the planning stage.

It seems certain, for instance, that at least three incompatible cellular mobile radio systems will be in commercial service in Europe by the end of the 1980s. That will not only make it hard for drivers to use the systems across national frontiers but will also keep the price of terminals high by fragmenting demand.

The European Commission

WILL THE next decade see Europe's electronics industries forced inexorably into retreat by an aggressive competitive challenge from American and Japanese manufacturers with better organisation and superior resources? Or are they poised on the threshold of a new era of expansion, offering boundless opportunities for all?

The question, which has arisen in varying forms at times during the past 20 years, is an increasingly urgent one. As governments everywhere seek to find new sources of growth to fill the vacuum left by the decline of older manufacturing activities, securing the development of healthy high technology industries is emerging as a high priority.

Not only are these industries likely to have an important impact on the future international competitiveness of European economies; possession of key technologies is also increasingly being regarded as a strategic necessity.

The Reagan Administration's attempt to extend its allies' embargo on the export of materials needed to build the Soviet gas pipeline has served to underscore in many European capitals the importance of maintaining a degree of technological independence.

The Soviet pipeline incident appears to have been an important element in several recent decisions to step up public support for research and

development in Europe. The EEC as a whole has agreed to back Esprit, a \$1.5bn programme of industrial collaboration on the frontiers of electronics, while the UK Government is also supporting separately the Alvey project, a £250m national scheme along similar lines.

The size of the funding for these programmes is a reflection both of the scale of the research contemplated and of how far European countries still have to go to match the U.S. and Japan. For in a number of key areas Europe has undoubtedly lagged behind.

The following are some examples:

Champions

- Europe is still heavily dependent on outside suppliers for microelectronic technology and products. This year, according to estimates by Motorola, the large U.S. electronics group, indigenous suppliers will account for only about 40 per cent of total European semiconductor sales of \$3.9bn. Europe's overall deficit on semiconductor trade will rise to \$1.8bn from \$1.6bn last year.

• Despite huge state support for "national champions" such as Britain's ICL, France's Bull and West Germany's Siemens, Europe has failed to breed a truly successful and consistently profitable world-class computer manufacturer covering the complete product spectrum.

European revenues of IBM, which amounted to almost \$10bn last year, were bigger than those of all its principal local competitors put together. Moreover, in the field of computer peripherals such as terminals, printers and data storage devices—market which is growing much faster than mainframes—Europe overall remains heavily dependent on imports.

• European electronics companies have been much less successful than IBM—and many more recent American rivals—at exploiting the benefits of the Common Market. Many of the bigger indigenous companies still appear to prefer to rely heavily on public procurement in their home markets rather than to venture into neighbouring EEC countries.

Even Philips, the most genuinely multinational of all European electronics manufacturers, has been struggling to

overcome a fragmented manufacturing and marketing structure which grew up behind pre-EEC national boundaries formerly protected by high tariff barriers.

Although Phillips has acted to reorganise its European operations into fewer and bigger units better adapted to achieve economies of scale, the results have been mixed so far. It is still more successful at making profits out of mature activities such as lighting than in competitive high-technology markets. Even with the benefit of modern manufacturing plants, it has barely dented the market for video cassette recorders against overwhelmingly popular machines of Japanese origin.

- National policies for stimulating technology growth have pointed in widely different directions. At one end of the scale Britain has in the past few years adopted an eclectic mix of measures including public support for smaller companies, state funding for high-tech projects such as Icarus, liberalisation of the telecommunications industry and active encouragement of inward foreign investment.

The Mitterrand Government in France, on the other hand, has favoured an overt policy of centralised state intervention intended to promote national independence in most areas of high technology. Since it came to power it has carried out extensive nationalisation and attempted to organise a vertically integrated electronics industry along the lines set out in its *Plan Electronique*.

The costs, however, have proved extremely high—too high for a state budget which faces increasing financial pressure from many sides. In an effort to balance its books the French Government decided several months ago to off-load the financing of the *Plan Electronique* on to its Post Office.

Recently, mounting losses at Thomson, one of the leading electronics manufacturers, have led to a major reorganisation of the French industry. Its Government has also greatly relaxed its preferential procurement practices, which favoured French computer suppliers.

There appear to be several lessons to be drawn from France's recent experience. First, even the larger European countries are too small to sup-

port viable policies of national independence in key technology industries. Secondly, latter-day mercantilism, trying to do everything oneself, seems doomed to failure. Thirdly, responding to the dictates of customer demand is a more effective formula than centralised state direction for winning commercial success in electronics.

A number of recent developments suggest that a renewed effort is being made by European manufacturers to apply these lessons. A new emphasis is being placed on cross-frontier industrial collaboration. The Esprit programme, initiated by a dozen leading European electronics manufacturers, is one example.

Mounting concern among European companies at the growing strength and increasingly aggressive commercial tactics of IBM have added impetus to their efforts. They fear that unless truly "open" standards can be created IBM will succeed in imposing its own standard even more widely, making it even harder for other companies to compete in the future.

How quickly such standards can be implemented and whether they will extend much beyond Europe remains to be seen, however. The U.S. has traditionally looked askance at institutions such as the International Standardization Organization, preferring to let the market

decide, and it is still uncertain whether any major American manufacturers will follow the European lead.

Under pressure from IBM and from increasingly specialised customer needs many European suppliers are increasingly turning to "niche" marketing strategies. The slogan "we sell solutions, not hardware" is becoming widespread.

But its successful application requires an agility and flexibility which few of Europe's larger established manufacturers have displayed hitherto. U.S. experience suggests that many of the best new product ideas come from youthful entrepreneurial companies—a breed still relatively rare in Europe.

European efforts to step up work on advanced research, stimulate wider industrial collaboration and harmonise standards undoubtedly reflect a growing awareness of the need to change the framework in which technology-based industries operate. But if the efforts are to bear fruit European industry must also demonstrate a spirit of risk, skill at bringing innovative products to the market quickly and an aggressive will to win.

Guy de Jonquieres

The electronics sector has a long way to go to match its American and Japanese rivals

New emphasis placed on collaboration



Test facility for IBM's Personal Computer at Greenock in Scotland. European electronics companies have been much less successful than IBM and many more recent American rivals in exploiting the benefits of the Common Market

**62nd
International Milan Fair**
APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80 specialized exhibitions that take place in the Fair Quarter during the year. Milan is the capital of Italy, the seat of permanent European trade offices of 27 countries. A visit to the Milan Fair is an excellent opportunity to meet business men who really count. Consequently, take your next business appointment in Milan, in the April 14 to 23 period.

**62nd
International Milan Fair**

APRIL 14 TO 23, 1984

WORLD TRADE

In Milan, from April 14 to 23, thousands of exhibitors from five continents meet hundreds of thousands of visitors and businessmen coming from all over the world. Trade transactions are fostered and facilitated by an organization availing itself of the most sophisticated and technologically advanced facilities in the field of fair informatics. These facilities are now in operation throughout the year and also cover the over 80

EUROPE VIII

The dramatic changes in production plants have proved costly to many companies, says Kenneth Gooding

Vehicle industry strives to move out of the red

THE EUROPEAN motor industry currently has two faces. The one the world at large tends to see gives the impression of dynamism. But the other wears a worried frown, just like the man who wonders how he will find the cash necessary to pay the bills he knows must soon arrive.

The industry in the past few years has faced through dramatic changes at its production plants. Old methods have been unceremoniously booted out to be replaced by the latest automation and robotics.

A stream of new car models has gushed from the European manufacturers. Designed by computers, they incorporate high technology and features which would not even have gone into luxury cars a decade ago.

The industry has also listened to the environmentalists. The new cars in particular are much more efficient in the use of fuel, usually saving at least 10 per cent compared with the models they replaced.

Yet, in spite of giving "much more car per car," prices in Europe have not kept pace with inflation. Which brings us to the other face of the industry. All that spending during the recession kept most of the European manufacturers in the red.

Now world demand is picking up (heavily influenced by the big jump in sales in the U.S.) but so far there is no sign that the European industry as a whole will return to profitability.

Worrying trend

Prof Krish Bhaskar, professor of accountancy and finance at the University of East Anglia, pointed to this worrying trend recently when he said: "The U.S. manufacturers lost money in 1981 and 1982 but recovered by 1983 (they are now extremely profitable once again). The European industry has been making losses and there are no signs of total recovery."

Prof Bhaskar and his team analysed the new model programmes European manufacturers have indicated since the start of the year and estimated that between them the car companies will spend \$21bn during the 1984-1989 period on new products.

A further \$12bn is required for routine replacement of

EUROPEAN MOTOR INDUSTRY						
	NET PROFITS IN £m (unless otherwise stated)					
Peugeot	226	526	1,800	-150	-184	-336
Renault	317	157	1337	140	-55	-112
Ford UK	116	144	347	204	165	192
Ford Werke	143	143	124	11	32	76
Ford Europe*	1,045	1,271	1,219	323	288	451
Vauxhall	-2	2	-31	-183	-57	-39
Opel	84	128	65	-97	-130	22
G.M. Europe*	277	376	338	-559	-427	6
BL	-32	-23	-145	-536	-497	-293
VAG	103	149	172	76	30	-71
Daimler-Benz	145	154	164	261	181	217
BMW	51	39	45	38	32	47
MAN	—	17	18	13	12	7
Alfa-Romeo	-98	-77	-52	-38	-51	-39
Fiat	41	46	22	26	39	58
Seat	n/a	n/a	n/a	-106.6	-104.7	-122.5
Motor Iberica	5.8	6.6	4.2	-2.3	-13.4	-17.2
Volvo	25	36	46	4	45	45
Saab	23	23	26	36	39	43

* U.S.\$m. † Unconsolidated. n/a Not available.

Source: Company accounts and University of East Anglia, finance and accountancy department.

plant and equipment. The introduction of further automation and robotics will cost upwards of £24bn.

So, Prof Bhaskar reckons, the European industry will have to spend £7bn to £9bn annually during periods of high demand for cars and £6bn and £8bn in the troughs.

But he insists that the industry will not be able to find that kind of money from its own resources. There will be a cash shortfall of up to £2bn in each of the good years and of between £2bn and £5bn in the bad ones.

There has been a combination of circumstances which prevented the European industry returning to profitability and finding the cash it requires for investment.

To start with, demand in Europe is not expanding as was expected even five years ago. Car sales are now expected to increase by an annual 1.5 to 2 per cent a year instead of the 2 to 3 per cent the industry once banked on.

Then the Japanese, with their extremely efficient methods of car production, are leading the way on the price front. Although there are restrictions

on Japanese cars in most of the major European markets, there are still enough of them available to have a profound influence on prices generally.

And to some extent the Europeans have become victims of their own success in boosting productivity. This has exacerbated the industry's overcapacity problem.

While the move to greater automation and the march of the robots into the car plants of Europe has cut labour and other variable costs, increased spending on capital equipment has raised the industry's fixed costs—which were already very under-used.

Meanwhile, Spain has been making a concerted effort to strengthen and expand its position in the motor business. So far it has been successful so far—

Some observers feel that ultimately, in order to protect the 2m jobs provided by the motor industry, governments will be forced to take a joint EEC approach, like those for steel or shipbuilding, and there will be an attempt to have an orderly reduction in capacity.

There is absolutely no sign of any overt steps in that direction so far. Instead, the EEC seems intent on doing more damage to the industry than that is the way the car manufacturers see it.

The EEC Commission is determined to enforce a rule which would restrict price differentials

throughout the community.

The idea is that there should be no more than a 12 per cent difference in the highest or lowest tax-free price charged for any model by the same manufacturer within the EEC.

Mr Ed Blanch, chairman of Ford of Europe, summed up the industry's view when he complained: "The EEC Commission is acting as if the motor industry is operating in one market with the same rates of pay, taxes, tax economic growth and—above all—currency.

Meanwhile, Spain has been making a concerted effort to strengthen and expand its position in the motor business. So far it has been successful so far—

Some observers feel that ultimately, in order to protect the 2m jobs provided by the motor industry, governments will be forced to take a joint EEC approach, like those for steel or shipbuilding, and there will be an attempt to have an orderly reduction in capacity.

There is absolutely no sign of any overt steps in that direction so far. Instead, the EEC seems intent on doing more damage to the industry than that is the way the car manufacturers see it.

The EEC Commission is determined to enforce a rule which would restrict price differentials

extreme danger of a bloody car price war spreading across Europe.

What makes such a battle a near-certainty is the feud which has developed between the two U.S.-based multinationals, General Motors, the world's biggest automotive group, and Ford, the third largest.

GM is determined to match Ford's sales performance outside North America. So, Europe has become one of the major areas of conflict between the two, particularly now that GM has brought on stream its new capacity in Spain and has entered the small car business in Europe for the first time.

Britain has provided an example of what might develop in the rest of Europe as the two Americans struggle for supremacy. GM pushed up its market share in the UK by more than two percentage points so far this year.

Ford brought all its market

power to bear to ensure that it did not lose its dominating 30 per cent. So far it has been the European companies—BL, Renault, Fiat and Volkswagen—who have borne the brunt of GM's determined thrust.

Until now, the only European country to cut car-making capacity has been Britain. BL was forced to shut plants as part of its massive streamlining programme. In other parts of the EEC, governments so far have encouraged their motor industries to retain existing capacity even if it is being under-used.

Meanwhile, Spain has been making a concerted effort to strengthen and expand its position in the motor business. So far it has been successful so far—

Some observers feel that ultimately, in order to protect the 2m jobs provided by the motor industry, governments will be forced to take a joint EEC approach, like those for steel or shipbuilding, and there will be an attempt to have an orderly reduction in capacity.

There is absolutely no sign of any overt steps in that direction so far. Instead, the EEC seems intent on doing more damage to the industry than that is the way the car manufacturers see it.

The EEC Commission is determined to enforce a rule which would restrict price differentials



Robots provide automatic computerised welding at the Fiat Rivalta works, near Turin. The move to greater automation in European car plants has cut costs but increased spending on capital equipment has raised the industry's fixed costs

Ian Rodger looks at the dismal record of mergers among heavy manufacturing industries

Sticky times for heavy plant

THE RECORD of trans-frontier co-operation in Europe in the heavy manufacturing industries is largely one of failure and misadventure. It is far easier to list the alliances that have come unstuck in the last few years—Dunlop-Pirelli, Hoechst-Hoogovens, VFW-Fokker—than to think of some that have worked.

The record, however, does not seem to deter companies from continuing to attempt to put deals together. In the past few weeks, for example, there has been considerable activity among Dutch, Belgian and Luxembourg steel companies as they try to find ways to share the pain of reducing capacity.

Other large proposed or agreed ventures this year include the attempt by Rolls-Royce of Britain and Creusot Loire of France to make gas turbine power generating sets together and the project by Ivecos of Italy and Eaton of the U.S. to develop a new commercial vehicle gear box.

The golden age of trans-national deals in Europe occurred in the late 1960s when the Dunlop-Pirelli, VFW-Fokker, Agfa-Gevaert and Hoechst-Hoogovens arrangements were put together. The thinking at the time was that the European economies would become more integrated and so trans-national companies would be well placed to cover the entire area and cope with the expected great expansion of demand.

As things turned out, neither of these trends materialised. In fact, the opposite occurred. Governments in Europe became more protectionist and most markets have contracted since the mid-1970s.

Both elements were involved in the collapse of the Vereinigte Flugtechnische Werke-Fokker union in 1977, nine years after its formation. The companies had been working on a joint project to develop a small aircraft but the outlook for commercial aircraft demand in the late 1970s was discouraging, and the two disagreed on how to proceed.

At the same time, the West German Government was eager to bring about a merger between VFW and Fokker to

CONTINUED ON PAGE X

between VFW and Messerschmidt-Boekel-Blohm to create a strong German rival to British Aerospace and Aerospatiale.

It was a source of frustration to the joint management of VFW-Fokker in Dusseldorf that the West German Government tended to deal directly with VFW in Bremen while the Dutch Government dealt with Fokker in The Hague.

Mr Frans Swartkow, chairman of Fokker, said the two companies were not well matched anyway, as VFW was basically a military aircraft maker and Fokker was on the commercial side. However, if things had gone well, this difference probably would have been called complementarity.

Fell apart

The 10-year Hoechst-Krupp alliance fell apart in remarkably similar circumstances. On the one hand, demand for steel fell sharply and the two companies had difficulties in sharing the costs of restructuring. On the other, the West German Government made it clear that it wanted Hoechst to merge with Krupp.

In the event, the Hoechst-Krupp merger never happened, and subsequently there was another proposal to put Hoechst together with Klockner Werke and Salzgitter but that did not work either.

In both the steel and aerospace areas, there have been examples of successful co-operation among European companies in recent years, but those involved have staved off taking equity stakes in each other. The most outstanding example is the Airbus consortium in which French, West German, Spanish and British aircraft manufacturers participate. British, West German and Italian builders have co-operated on the Tornado fighter programme.

In steel, co-operation has been on a more modest scale, involving exchanges of quotas

to the new demands of biotechnology.

STERILE ENGINEERING: Process plant for biotechnology needs to be designed with a care for the risks of infection—which can ruin the product—that no other industry experiences.

John Brown is a company which has invested heavily in this aspect of biotechnology.

Living organisms behave differently from engineering materials, more like people than machines. Briefly, these are some of the essential technical skills needed to put living organisms to work and to exploit them on a biotechnological basis.

They all represent both investment opportunities for established companies willing to commit resources to new technologies, and opportunities

for highly specialised start-up ventures to capitalise on a particular idea or skill.

FERMENTATION: In which the organic material or genetically engineered—bacteria or yeast in a fermenter or bio-reactor. An ICI scientist summed up his company's attempts to develop a new biotechnology route to an animal feedstuff in these words: "From my experience the single-cell protein processes that have been developed have stretched the imagination and innovative skills of all those involved in this development to a degree that the conventional chemical industry has not experienced before." Advanced ideas in instrumentation are needed to adapt bio-reactors

to the new demands of biotechnology.

SEPARATION AND PURIFICATION: New technologies, developed for use by scientists on the laboratory bench, are having to be scaled up to industrial operations to solve the difficult problems of separating the substance required from thousands of others in the "soup" that comes from the bio-reactor.

Pharmacia is one European

company which is strong here, but some of the start-up ventures—Celltech is one—have special skills they are developing, for example to purify interferon.

SENSORS: A whole new instrument technology is developing around the idiosyncrasies of living organisms. Bio-sensors are needed to measure factors never measured industrially before, under conditions such as sterility—novel to engineers.

SAFETY: Just as another high technology, the nuclear industry, had to develop health physics as a profession to protect its own work-force, so the special features of biotechnology require the vigilance of specially trained safety staff and new practices.

David Fishlock, Science Editor, looks at the developments and new companies in the field

New paths to follow in biotechnology

SINCE THE late 1970s a host of new companies have been started with names like Biogen, Transgene, Celtech and Genzyme. Today they number about 200 and are still springing up. Most are American but perhaps 30 to 40 are in Europe, mostly in Britain, and they are still being set up.

As their names may suggest, these new ventures have an interest in the science of genetics, and specifically in the remarkable discoveries of the mid-1970s which allow changes to be made in the genetic make-up of relatively simple living organisms such as bacteria, viruses and plant cells. These new techniques and tools of biology are popularly known as "genetic engineering."

Man has been harnessing micro-organisms such as bacteria to do his bidding for thousands of years to make beer, cheese, bread and bread.

Interferon is an example. Traces of this chemical are made by living cells but scarce and so impure was the material that scientists found it impossible to test interferon properly for its therapeutic promise. In 1977 it was reckoned to be worth \$1m a gram.

Many pharmaceutical companies became expert at breed-

ing and cossetting living organisms and extracting valuable new drugs. In Europe such names as Glaxo and Beecham are associated with the new biotechnology of antibiotics, and Wellcome and Merieux with vaccines. According to one recent estimate, about 100 products of biotechnology are at present being made in about 120 different countries.

<

The most important question you'll ask your company's treasurer is probably the one he can't answer.

Question: "What's our global cash position today?"

Answer: "I'll have to come back to you on that one. We need to check on that account in London, but the phone's busy. And the Hong Kong business might be settled but the telex is garbled. What's more there's a public holiday in Frankfurt and the market hasn't opened in New York . . ."

The fact is that the volatility of the world's financial markets demands instant decisions.

Yet often the fate of millions of dollars rests on outmoded communications systems.

Until now.

Until InfoCash—from Chase.

A worldwide electronic banking and information system available to Chase customers.

One simple desktop terminal can answer the question in seconds.

Who's paid what and where. Irrespective of time zone with full details printed out on your terminal's screen.

InfoCash gives you instant information faster than any other system worldwide, formatted to meet your needs for instant analysis and action.

You can track your balances in over 50 locations from New York to Hong Kong on a daily basis, regardless of time zone.

Add to this our Global Money Transfer capability in any currency, spot and forward exchange rates, market commentaries, and forecasting services, and you have everything.

Everything that allows a treasurer to do what he's best at.

Planning. Organising. Controlling. Making money.

So, ring Chase now and speak to your Relationship Manager or contact Chase Electronic Banking in London on (01) 726 5255.

It will be much more rewarding than listening to a phone ringing in an unattended office thousands of miles away.



InfoCash from Chase.

EUROPE X

A trans-frontier approach is badly needed, says Carla Rapoport

Chemical companies fail to find a common solution

OVER THE last few years, the European chemical industry has been able to agree on very little except the seriousness of its problems and the venue for its next conference to discuss them.

At those conferences, either from the podium or in the hotel's bar, executives chew over the industry's inability or unwillingness to find a Europe-wide solution to its problems.

The industry's failure to score on this score again underlines the huge national barriers to industrial co-operation in Europe. Most major European chemical companies have been losing money on their commodity petrochemical operations since 1980; those which are now making money are doing so only just. A major European scheme for rationalisation of surplus capacity would benefit most of the players, paving the way for higher prices and improved margins.

Mr Robert Horton, managing director of BP Chemicals, spelled out the problem graphically at a recent conference in Monte Carlo: "The alternatives are either to work together to negotiate a long unpleasant run through the rapids... or to do nothing, knowing that few will survive."

In simplest terms, the industry's problem is this: projected demand for ethylene, the basic petrochemical used to make commodity plastics, will be around 11.5m tonnes per year in the second half of the decade.

Capacity for producing ethylene, if left unchanged, will be over 15m tonnes per year during the same period. As a result, most observers say at least 1.5m tonnes of capacity needs to be closed before the industry can return to reasonable levels of profitability.

So far, however, the companies have been unable to knit together any sort of trans-frontier plan which takes into account France's reluctance to put more people out of work, for example, and Britain's interest in bringing more productivity out of its large industrial companies.

Further, many companies have already made painful cuts in capacity and are reluctant to participate in programmes

which makes this process any easier for its competitors. Lurking behind these problems is the fact that pricing discipline in the chemical industry collapsed nearly three years ago; cut-throat competition for volume is hardly a background conducive to pan-European agreements.

Even some efforts have been made toward seeking European solutions to the problem. Most importantly, perhaps, the leaders of the industry all know each other and keep in regular touch with one another. This often leads to little more than dialogue, but most executives agree that even just dialogue has merit considering the heavy difficulties the industry has been experiencing.

Possibility

By now, however, most discussions on working together rule out the possibility of direct intervention by the EEC. A small but determined group of industry executives, including those in Belgium and Italy, have favoured such an approach.

So far, however, even attempts to have industry-wide talks in Brussels have languished from lack of enthusiasm.

A meeting held last May by Viscount Davignon, EEC Commissioner for Industry, to discuss proposals for restructuring the industry did not even attract a full complement of representatives from Europe's major chemical companies. Prominent absences included Imperial Chemical Industries of the UK and BASF of West Germany.

The restructuring proposals were contained in a summary of an extensive survey made of the industry by two industry insiders, Jacques Grenier and F. Gauvin. The report has not been made public but it is known to make three major recommendations:

• Further cutbacks in capacity amounting to around a 25 per cent cut in ethylene capacity and a similar reduction in commodity plastics capacity. (Some of these reductions have been achieved since the report was completed last spring.)

• The establishment of a clear definition of the meaning of putting a plant on standby, as

"Having suffered this long,

opposed to irrevocably shutting it down. Some companies have accused others of claiming to have shut down capacity when, in fact, the plants have been only temporarily shut down pending improvements in the marketplace.

• A system under which some companies could abandon certain product lines and receive compensation from a pool of money to which the other companies would contribute. This proposal is designed to give an extra push to companies considering the abandonment of loss-making products but who have so far been unable to reach a decision to do so.

While these proposals are still being officially considered by most of the major European chemical companies, it is almost assumed that they will never be agreed upon because of strong disagreement with the last proposal by Britain and West Germany. A further barrier to any agreement is the lack of any clear way to equitably carry out the cut-backs suggested in the first proposal.

Another strong reason for the failure of the proposals is the hint of a recovery being sniffed by chemical companies across Europe. The large petrochemical and plastics division of ICI broke even for the first time in three years in the third quarter of 1983. Losses at other companies have been reduced, while the large West German chemical groups are reporting modest improvements this year.

To many observers of the industry, however, this recovery could provide more damage than good to many companies in the sector. With many plants now running at between 85 and 90 per cent of effective capacity (compared to as low as 50 and 60 per cent during 1981 and 1982), a lot of companies are beginning to hunger for larger market shares, aiming to starve out weaker competitors.

Prices are moving up, but competition remains fierce in most product lines.

This continued push for market share, however, may not result in a weeding out of the European chemical industry, but rather in a generally weakened sector.

Having suffered this long,

most will hang on past grim death," says one chemical chief. "The exit costs for the big companies are exorbitant and large bankruptcies are embarrassing for governments. Most of the players are of a large enough size to want to be breathing, even if it is only just breathing."

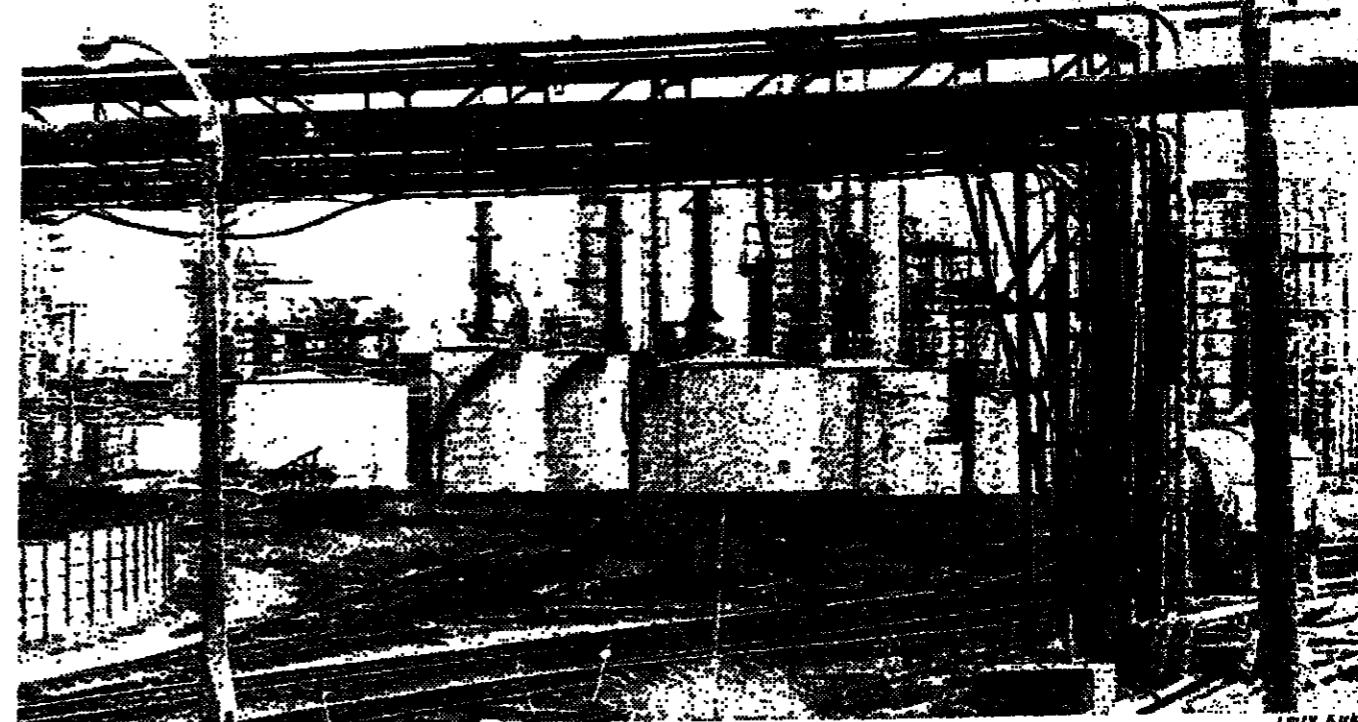
According to Mr Michael Hyde, the respected editor of Chemical Insight, the International chemicals newsletter: "The European petrochemical industry seems determined to prove Adam Smith's dictum about perfect competition under which profits disappear and only the wages of management are paid."

Oddly enough, the industry has been accused of actually colluding on the price of a major thermoplastic, polypropylene. Inspectors from Brussels descended on the major European chemical producers earlier this autumn demanding to see files on pricing of polypropylene. The investigation continues, while the industry protests its innocence. Guilty or not, the price of raffia grade polypropylene is still no higher today than it was in September 1981.

The challenges ahead of Europe's chemical industry remain as ever ones. Saudi Arabia's petrochemical industry, now under construction, will be onstream in 1985, using the country's own available feedstocks. Saudi Arabia alone, not counting other new producers, such as Canada, is expected to help depress Europe's exports of chemicals from around 900,000 tonnes a year to zero by the end of the decade.

Pointing to sluggish growth ahead for the industry's products and a persistent decline in real margins, Mr David Clair, president of Essochem Europe, recently told a gathering of his peers: "Prosperity may be far around the corner for the industry, but not for as many competitors as are expecting it."

Whether accomplished together or singly, the work ahead of Europe's chemical industry remains as one of the most daunting prospects among the European Community's industrial sectors.



ICI's main UK petro-chemicals plant at Wilton, Teesside. The group's large petro-chemicals and plastics division broke even for the first time in three years in the third quarter of this year

Financial services sector struggles for freer market

THE RECENT appeal by a West German insurance broker, Herr Franz Schleicher, to the European Commission after losing a German court case has highlighted the failure of the European Community to develop a free market in financial services.

Herr Schleicher's crime was

to sell British insurance policies to commercial customers in Germany. This was in conformity with an EEC insurance directive dating from 1978, but in both a lower and an upper court it was judged to be

against West German law.

Accordingly, the Commission

is taking steps to find out why

the Germans have been drag-

ging their feet in adjusting

their national laws to comply

with the directive. In due course

the German Government could

be required to defend its position

in the European Court of Justice.

It will not be fighting a

lonely battle, because at vari-

ous times France, Denmark and

the Republic of Ireland are

likely to be accused of similar

unacceptable protectionism,

which is preventing the develop-

ment of a Community-wide in-

surance market.

The simple desire to protect

domestic markets against

foreign competition—in this

case the powerful British insur-

ance industry would threaten

important parts of the German

market—is an important factor.

Resistant

What makes the financial ser-

vices sector especially resistant

to internationalisation, howev-

er, is that governments normally

have entirely valid reasons for

imposing strict regulatory con-

straints on the financial sector.

Unbridled competition is not

compatible with the secure pro-

vision of services like banking

or insurance.

Controls drawn up on purely

national bases however are at

best unlikely to harmonise with

those of other countries. At

worst, they may be deliberately

contrived to be protectionist in

their effect.

At a corporate level, nationalistic

feelings have also been

aroused recently in the insur-

ance industry by the takeover

bid launched by Germany's

Allianz Versicherung for Eagle

It has, however, only been in

Southern Europe, notably Italy

and Spain, that the international

firms have been able to

peneate the domestic markets

to any great extent. In these

countries, the local accountancy

profession is not very highly

developed, so that large com-

panies need to turn to the

international accounting firms

if their accounts are to gain

Siar, the British major insur-

ance group.

Allianz first bought a stake

of some 28 per cent in Eagle

Star in 1981, since when it has

been frustrated by the British

company's refusal to enter into

German-style co-operative trad-

ing agreements.

When it launched its bid for

control there were suggestions

that the British Government

should challenge the takeover

under the Monopolies and

Mergers legislation. It was

argued that the Germans them-

selves would never permit a

foreign takeover of a large

German insurance company.

Accordingly, the Commission

is taking steps to find out why

the Germans have been drag-

ging their feet in adjusting

their national laws to comply

with the directive. In due course

the German Government could

be required to defend its position

in the European Court of Justice.

The development of multina-

tional companies is one way

in which common standards of

financial services are being

encouraged throughout the

Community.

Two levels of provision of

financial services are available

in Europe. At the international

level, large corporate and

institutional clients are demand-

ing services which are

being provided by foreign

accountants, such as tax advice

to their audit clients, as well as

other services such as legal

advice, auditing, and so on.

Such a condition would not

be done independently.

Such gaps must be bridged,

however, if the benefits of

unified capital market services

are to be provided for com-

panies and investors within the

Community.

TRADE

EUROPE XI

Harsh exchanges over subsidies have resulted from the belief that the disputes procedure has been manipulated by the Europeans

GATT states look to the future

A PESSIMIST could find plenty of evidence to support the view that the last 12 months have produced more talk about saving the world from a slide into protectionism than action to prevent it.

Europe's trading partners in the Rich World complain that the EEC is becoming more and more closed to the exports—especially agricultural products—upon which they depend to manage their debt and modernise their economies.

Even within the Community, scant progress has been made in removing technical barriers to trade. The Paris meeting used by France to control Japanese video recorder imports is still sending ripples of alarm round the globe.

The EEC is meanwhile under mounting pressure from the U.S. to reform the Common Agricultural Policy (CAP) and is living under the shadow of re-tariffation that could start a chain in agricultural subsidies.

For the time being European steelmakers have been enraged by the U.S. decision to follow last year's "voluntary" restraint on their carbon steel exports with quotas and tariffs on special steels this year.

Both these trading super-powers are still at odds with the Japanese, and continue to demand yet more positive signs that Japan is opening its doors. A team of Japanese industrialists and retailers has just completed a tour of European capitals in an effort to demonstrate that access is possible to those who make the necessary effort.

Further fall

Always in the background is the fear that financial rescue of the indebted nations of Latin America and Africa will not be achieved only at the price of a further fall in these countries' terms of trade and that commercial bank lending will dry up, with the same results.

The optimists—while accepting all the evidence—can make the less justifiably claim that it all could have been a lot worse considering the depth of the economic recession that has occurred. Even Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade (Gatt), believes that the climate is improving despite the multiplication of bilateral trade restrictions.

He said in a recent interview: "During the last six months I have heard and read more and more of political leaders assessing how we can restart the process of further opening markets. The fact that people are think-

ing about how to make progress instead of thinking about their next protective measures means there is a beginning of a change of atmosphere."

Last November, ministers of the Gatt member states failed—it is generally thought—to achieve much of anything, mainly because of rows about EEC agricultural subsidies and about U.S. efforts to add trade in services to the Gatt rule-book.

Acrimony

These and other issues were left for the Gatt secretariat to study, with a view to reporting to the 1984 annual meeting. Not least because of the acrimony that agricultural export subsidies have created between the U.S. and the EEC, Mr Dunkel considered the subsidies issue "one of the key problems in the trade field at present."

It has produced harsh exchanges inside the Gatt, not least because the U.S. supporters like Australia believe the disputes procedure has been manipulated by the Europeans to fudge the outcome of several important recent cases.

For example, the U.S. won a rare first-round victory with a complaint that exports of pasta by Italy were unfairly subsidised, only to see the verdict weakened and delayed by fear of something worse.

New round

Mr Dunkel is anxious lest the Gatt be rushed into a new round, when so many of the old problems remain to be solved. He recognises as crucial one possible purpose of a new round—to sort out trade relations between North and South. But he wants the Gatt to be allowed to complete its present programme of work without the pressures and prejudices that the imminence of a new round might create.

The subsidies problem is not confined to agriculture, of course. Almost any government incentive designed to aid a new industry—information technology for example—or to wind down an old one—like steel—can be regarded as a subsidy that confers an unfair competitive advantage.

Likewise, government procurement can be a protective measure for domestic industries—although the Gatt recognises that such defence ordering will inevitably be placed at home. It is another facet of the same issue that the Gatt secretariat has been charged with examining.

Work on the other principal issue, trade in services, will begin in earnest in a few weeks' time when the Gatt has received submissions from about 10 of the countries with

Christian Tyler



Japanese consumer goods figure prominently in European shop windows. Tokyo has accepted "voluntary" restraints on its exports for fear of something worse

Paul Cheeseright reports on the lifting of trade restrictions

EEC-Efta barriers fall

THE LAST restrictions on free industrial trade between the EEC and the seven countries of the European Free Trade Association—Austria, Finland, Iceland, Norway, Portugal, Sweden and Switzerland—fall away on December 31. The EEC will fully open its frontiers to Efta paper products on January 1.

That completes the initial process of liberalising trade throughout Western Europe which began in 1972-73. The basic agreement has achieved what it set out to do—the expansion of trade. Now both the EEC and Efta, in a low key way, are starting to explore further patterns of co-operation—they have come to the second generation issue.

Generalisations are difficult for such a heterogeneous group of countries but there is a broad stream of economic movement with the two organisations moving roughly in parallel. Efta predictions suggest that although Efta economic growth will be slightly lower than the average for the Organisation for Economic Co-operation and Development (OECD) next year, it will be slightly higher than that for the EEC.

By the end of this year Efta growth should turn out at about 2 per cent, moving to 2 per cent in 1984, with Sweden also able to benefit from the free trade agreements when it exits from the Efta cumulation system. Both groups though, are likely to see some increase in unemployment and some fall in inflation.

Trade between the two groups should pick up from the low point of 1982 when Efta's imports from the EEC were worth \$60.6bn, or 3 per cent down from 1981 and its exports were \$23bn, down 3.2 per cent from 1981.

But this is not to say that there are no fears for the future or no nagging technical issues to be resolved in the relations of the two groups.

The gentle phrasing of the Efta ministerial council communiqué last June shows one of the most acute difficulties might lie. "With regard to the efforts within the Community to strengthen its internal market, ministers stated that these were being followed closely and with interest."

"They expressed the hope that solutions be found which will take into account the particular nature of the relations between the Efta countries and the Community."

Halting efforts

The fear is that the EEC's halting efforts to strengthen its internal market will be accompanied by measures which stiffen the trade barriers around it.

On April 1 this year changes came into effect which cover virtually all engineering products. Efta amended its origin rules so that they correspond to the origin rules being imple-

mented for engineering products within the framework of the EEC-Efta agreements.

It was established that engineering companies have a choice of alternative grounds for saying that their products are duty free. There was the normal one—that certain processing rules had been met. The new one was that a product will be duty free when no more than 30 to 40 per cent of a product's value comes from materials or components from outside the free trade area.

But two months later, the Efta consultative committee was demanding what it called an "improvement" of the cumulation system. This problem, the committee observed, was as important as the alternative percentage criterion.

"When an Efta importer has bought free trade products from an Efta country or the Community, he should of course also be able to benefit from the free trade agreements when he re-exports these products to another free trade partner," said a committee paper.

"The current provisions on cumulation are, however, excessively restrictive in cases where the products are re-exported after further processing during which third country

materials have been added to the imported free trade products," the paper claimed.

The question of the rules of origin is an indication of the joint work which needs to be done if the existing agreements are further to be consolidated through the progressive removal of non-tariff barriers to trade.

A key area here is standards. The EEC has started work and has been seeking to edge forward to a common standards policy. Efta believes there should be greater cooperation on the issue between the two groups. But there are bound to be difficulties given the different approaches in such a wide variety of countries. Similarly, if trade is to flow more smoothly, then the 17 States involved will have to ensure parallel movement on issues like labelling and the general recognition of national certificates.

But even if such technical issues are resolved on a common basis, they will still not be adequate of themselves to create an area of genuinely free trade.

The agenda of relations for the rest of this decade and the 1990s will of necessity have to cover an approach towards a more far-reaching competition policy and the use of government subsidies for industry.

Such an approach may take place within the framework of the OECD on competition and within the General Agreement on Tariffs and Trade with regard to subsidies. But both Efta and the EEC already have in common the same sort of crisis industries where officially aided retrenchment is taking place—steel, textiles and shipbuilding for example.

Already there is some co-operation taking place in research areas, and countries like Sweden are keen to take part in the EEC's developing policies for high technology—like the proposed EEC-private sector collaboration plan to foster joint research into information technology sectors—the Esprit programme.

The more co-operation there is in such areas then the better the chances for a closer degree of economic and monetary policy convergence. But as the EEC experience has shown this is a long and hard slog.

It seems unlikely, however, that in the medium term there is going to be a much higher level of political co-operation. The same factor which has prevented this in the past remains active—the presence of neutral countries within Efta. But a country like Norway, having put aside the uncertainties which arose from first negotiating to join the EEC and then not doing so, is showing concern to be kept abreast of political movement within the EEC.

Oil use for electricity is still falling as demand drops

Energy changeover continues

WESTERN EUROPE, on the face of it is making smooth and steady progress towards its member countries' common goals of reducing dependence upon imported oil and gradually replacing oil as a fuel for generating electricity. Since 1979, energy consumption in the EEC has fallen by over 11 per cent.

Between 1973 and 1982, oil's share in total inland energy consumption in the EEC countries fell from 61 per cent to 49 per cent and is on track, according to projections supplied by member states to the European Commission, to approach within a whisker of the Commission's 40 per cent target by 1990.

Solid fuels and nuclear power now account for 70 per cent of the energy input to power stations, up from 50 per cent in 1973. By 1990, the commission's targets of 70-75 per cent, should, say the projections, be comfortably exceeded.

The energy intensity of the Community members has meanwhile, continued to slacken. It is now reckoned that, for every percentage point of economic growth, energy demand will grow only by half a percentage point—another dramatic change from 1973, when the ratio was 1.1.

Organisations like the European Commission and the Paris-based International Energy Agency, whose task it is to reflect upon the strategic energy questions facing the Continent, are far from happy.

Partly, they fear that these figures have created a mood of complacency, encouraging governments, corporations and households to slacken their interest in both energy conservation and in further broadening the energy mix.

They also doubt the validity of some of the numbers. The projections, for example, depend upon huge nuclear power plant construction programmes in countries which lack either the investment resources or the political will or both.

ENERGY USE IN THE EEC

1973 1979 1982 1990
(est.)

Energy consumption (millions of tons of oil equivalent)	921	885	872	1,065
Oil consumption (mtoc)	562	537	425	432
Oil proportion of energy consumption (per cent)	61	54	49	41

Source: European Commission. Forecasts: submissions of member states to commission.

This, inevitably, is a difficult task for the strategist to accomplish at a time when Europe is swimming in surplus energy rather than merely a reduction of reduced activity in steel, chemicals, cement and other heavy energy consuming industries.

For the true pessimists, there are also figures which can be used to counter the impression of sharp progress. The Commission, for instance, pointed out in a recent report that in spite of the reduced dependence upon the Organisation of Petroleum Exporting Countries, energy imports still cost the Community 3.8 per cent of its GDP—the same figure as in 1974.

None of these things would matter so much to the strategists were it not for the single most important energy phenomenon of recent months: the falling oil price, which is threatening to undermine the economic costs of some longer-term projects in alternative fuels (not to mention the production of high-cost European offshore oil). Even if that thought is judged too speculative at current oil price levels, there is little doubt that any significant economic recovery in Europe would see oil used extensively in industry and, to some degree, in power generation to meet bigger demand.

This satisfying downward trend in the share of oil in energy consumption could, in such circumstances, start to look rather fragile.

Apart from an important programme of research and demonstration projects, the Commission has struggled to find ways

of supporting investment in coal-consuming projects only to see its programme reduced to a pawn in the Community budget game.

At the national level, the focus of the two largest coal-producing countries, Germany and Britain, is to reduce the size of the uneconomic tail of the industry but polités suggest this will be a slow process in both cases.

State aids are flowing into coal at a rate of about 10 ECUs (\$5.7) per tonne of output. The German Government has resisted the more ambitious Commission idea for subsidising coal consumption because it believes the benefit will go to the importers, with whom neither its own nor any other West European coal industry can compete.

Nuclear power continues to make steady progress and with electricity demand well below levels projected 10 years ago, utilities have been able to retire or mothball much older, less efficient capacity as nuclear output has grown. The growth of nuclear power, however, remains very uneven from France at one extreme to countries like Ireland, which have no nuclear power.

The environmental doubts surrounding nuclear power remain an important factor in several countries, although in Germany there is some sign that coal, as the alleged producer of acid rain and the destroyer of much German woodland, is taking nuclear energy's place as the environmentalist's energy bête noire.

As for the production of fossil fuels, Europe's hydrocarbon output is now thought to be at or nearing a peak, although the figures are highly sensitive to price factors. The British Government has stimulated North Sea activity this year by tax concessions to the oil industry, but doubts exist about the economic viability of major developments like Norway's Troll gas field.

Ian Hargreaves

The refinery at your service

Saras refinery was planned, built and equipped to process customer's crude oil.

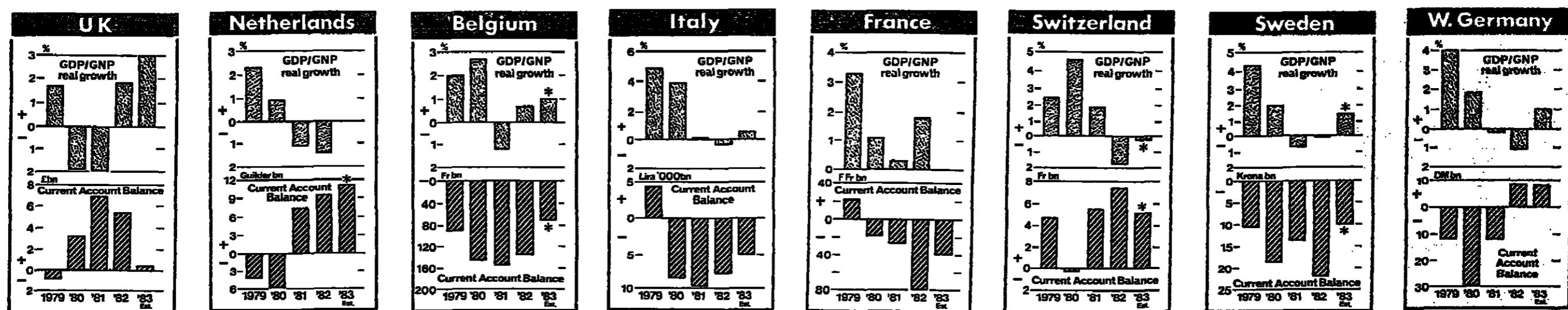
It has a yearly processing capacity of 15 million metric tons and such a flexibility as to admit, stock (in the huge tanks system of 3.6 million cu. mt.) and handle any kind of crude oil through the many processing stages asked by the customers, offering a range of refined products that can meet every requirement.



HEAD OFFICE: 2022 MILANO - Galleria de Cristoforo, 6 - Tel. 02/7737 - Telex 31273 SARAS I

REFINERY: 0908 SARROCH (CAGLIARI) - Km.19 - S.S. Sulcitana - Tel. 070/900001 - Telex 790169 SARAFF I

BRANCH OFFICE: 00167 ROMA - Via Ludovisi, 43 - Tel. 06/472701



A review of the economic prospects for eight leading countries

The UK

IT IS not at all clear, within a wide margin of error, what has been happening to UK Gross Domestic Product. This is because of a widening disagreement between the three measures of it which should in theory be identical.

The discrepancy now accounts for quite a large portion of the disagreement between different economic bodies about the current rate of recovery.

The output measure, based on industrial output and other activities, suggests an annual growth rate of 1.6 per cent to 1.7 per cent in the two years to the second quarter of 1982. However, measurement of

total national income during the period suggests a growth rate of nearer to 3 per cent during the period.

The contrast is particularly striking if one takes the four-year period since the second quarter of 1978, the last peak of economic activity. The output measure suggests that GDP is still near 4 per cent below that peak while the income measure suggests that it is less than 1 per cent below the peak.

The British Treasury, which uses a compromise between the three measures, believes the economy is currently growing at an annual rate of

MAX WILKINSON

The Netherlands

THE CURRENT bitter dispute over pay between the Dutch Government and its public employees has cast something of a cloud over the Netherlands' economic performance in recent weeks. But the wave of strikes, working-to-rule and other protests ought not to conceal something of greater long-term significance. After years of drift, the financial and social organisation of the Dutch state is being brought under firm control.

Some mistakes have been made, and progress in some areas is less than clear. Yet, overall, the economy is beginning to move forward again, with austerity providing a surer motive force than mere optimism. Mr Ruud Lubbers, the Dutch Premier, and his colleagues in the centre-right governing coalition, have stopped throwing money at problems. Instead, they have cut and pruned, hoping to secure stronger growth by the end of

At the same time, substanti-

ally more funds will be available on the Dutch capital markets for use by industry. At present, some 70 per cent of available funds are taken up by State loans.

In terms of trade, the Dutch enjoyed a surplus worth Ff 18bn for the first six months of this year. Mr Lubbers predicts a surplus on the current account of the balance of payments of Ff 10bn. He may err on the side of caution here. Some economists are looking to a surplus of as much as Ff 12bn.

It might appear that progress is slow. What is striking, though, is the fact that, at last, deterioration has been reversed. For once, the graph shows improvement in the Treasury position.

If Mr Lubbers can stick the pace, there is a real chance that deficit financing will be brought within bounds by the end of the decade.

WALTER ELLIS

Belgium

CONDITIONS IN the Belgian economy are likely to remain tight over the next few months with domestic demand continuing sluggish and hopes of recovery pinned on the export markets.

This year, during the first half the trade balance of the Belgo-Luxembourg Economic Union recorded a deficit of BFr 87bn compared with BFr 190bn in the same period of 1982. But if the improvement depends on the competitiveness of Belgian industry. The effects of the 1982 devaluation of the franc have begun to wear off.

A small increase in the

volume of the gross domestic product is expected next year but the signs of a sustained recovery are still missing as investment remains at a low level.

At the same time, despite government efforts to restrain official spending, the continuing high level of public expenditure is seen as a continuing drag on the economy. In the first seven months of this year the Government's net borrowing requirement was BFr 435m, or BFr 60bn more than in the same period of 1982.

PAUL CHEESERIGHT

JAMES BUXTON

**to develop your business
with good prospects
look for a leader**



industrial financing

Paid-up capital and legal reserves: 1,359.8 billion lire

Allowances for losses: 749.5 billion lire

ISTITUTO MOBILIARE ITALIANO

Public Law Credit Institute

Head Office: ROME - Viale dell'Arte, 25 (Italy)

Representative Offices abroad: LONDON EC4R OSE, 8 Laurence Pountney Hill - ZURICH 8022, Glarischstrasse 30, Postfach - BRUSSELS 1050, 67 rue de la Vallée, BTE 7 - WASHINGTON 20036 D.C., 21 Dupont Circle, The Etman Building - MEXICO CITY 06500 D.F., Paseo de la Reforma 195, Despacho 1301.

Regional Offices in Italy: Milan, Turin, Genoa, Padua, Venice, Bologna, Florence, Rome, Naples, Bari, Catania.

Italy

ITALY WILL enter 1984 with its economy showing only the first faint signs of recovery from recession, with its inflation rate more than twice the average level of its competitors and with its current account balance of payments still in deficit.

Nevertheless, the Government of Sig Bettino Craxi, the Socialist Party leader, is predicting 2 per cent real growth for 1984, compared with a decline of more than 1 per cent this year. It also intends to reduce inflation from the average of 15.5 per cent, which will be reduced to 10 per cent next year through the annual rate in October was already down to a little over 13 per cent.

Italy went into recession late, having negative growth only from 1982 onwards. With successive governments unable or unwilling to cut their spending, the public sector deficit swelled to 17 per cent of GDP last year, providing ready fuel for inflation, which is reinforced by wage indexation. But efforts to reduce the balance of payments deficit, mainly by monetary measures, have borne fruit: the deficit will be about £2,000m (3830m) this year on current account, compared with last year's deficit of £7,400m.

Because of the high inflation rate, however, Italy can only enjoy growth caused by rising exports to markets such as West Germany. This growth will also be constrained by the need to prevent the balance of payments deficit from worsening again as Italy has a high propensity to import. Most observers are therefore sceptical as to whether the Government's growth forecast of 2 per cent for next year is likely to be attained.

There is also scepticism, reinforced by a recent report by the International Monetary Fund about the prospects of reducing inflation to an average of 10 per cent next year—other predictions go as high as 13 per cent. Much, however, depends on whether the Government succeeds in the next few weeks in introducing an incomes policy involving a sharp reduction in wage indexation.

The IMF also warned that the continuing high public sector deficit was a "time-bomb" threatening both higher inflation and balance of payments trouble, and that if nothing were done to curb spending the Government could find itself unable to sell its Treasury bills, however high it raises incomes interest rates. Next year, 1984, should therefore be a difficult year for Italy.

JAMES BUXTON

France

THE FRENCH economy is now beginning to feel the fall inactivity of this Spring's austerity measures. Real GDP fell by 0.3 per cent in the third quarter, reflecting declines in consumer spending and investment.

The fall would have been steeper but for the strong surge in exports over the last six months which has helped to maintain the level of industrial production. As it is, France is now expected to avoid a dip into recession and end the year with a modest 0.6 per cent growth in national output.

Forecasts for next year assume a continuing period of stagnation with real GDP rising by 0.2 to 1 per cent.

The sharp rise in exports has been the major factor accounting for the unexpected rapid reduction in the trade deficit. Coupled with a cutback in imports as a result of the squeezing of domestic demand and oil companies reducing their purchases of crude the trade account has been close to equilibrium in the three months up to October.

The deficit for the year is expected to be about FFr 103bn after last year's FFr 103bn. The current account deficit is also expected to fall from last year's FFr 75bn to about FFr 45-55bn benefiting from both the improvement in the trade account and a strong increase in tourist receipts.

The failure so far of the stabilisation measures has been the lack of any significant falling in the inflation rate which is likely to remain at 9.3 per cent this year after last year's 9.7 per cent. But the Government, with the help of the private sector, is now attempting to force down the level of wage settlements.

Unemployment still remains close to the 2m mark but the unemployment statistics do not yet reflect the significant shake out now taking place in industry. DAVID HOUSEGO

JAMES BUCHAN

Switzerland

adjusted GDP in 1984, although estimates as to growth rates vary from 0.5 to 1.6 per cent.

Unemployment continues at about 0.8 per cent, but this is relatively high by Swiss standards and there is widespread short-time working, which affects about a further 1.6 per cent of the workforce. Industrial output remains very low. In both September and October the annual inflation rate was only 1.4 per cent, the lowest since January 1979.

All forecasters believe

there will be a rise in price

adjusted GDP in 1984, although estimates as to growth rates vary from 0.5 to 1.6 per cent.

Unemployment continues at about 0.8 per cent, but this is relatively high by Swiss standards and there is widespread short-time working, which affects about a further 1.6 per cent of the workforce. Industrial output remains very low. In both September and October the annual inflation rate was only 1.4 per cent, the lowest since January 1979.

Switzerland is faced by a

JOHN WICKS

large deficit on merchandise trade, up 46 per cent for the first 10 months over corresponding 1982 figures.

For 1983 as a whole, the trade gap could be the widest on record, over that of SwFr 11.25bn in 1982, when the 1983 deficit looks like being not much below SwFr 8bn.

Nevertheless, Switzerland will retain a sizable surplus on current account—though one noticeably lower than last year's SwFr 7.35bn.

forecast.

The sharp rise in exports has also helped to boost industrial production, which has risen by about 8 per cent in volume over the 13 months since August 1982.

Higher production has not yet been reflected in lower unemployment, however, as increased output has been achieved chiefly through improved productivity as unused capacity has gradually been taken up. Official unemployment has been reduced to 3.4 per cent, but the jobless figures are kept artificially low in Sweden through far-reaching job-creation programmes. Between 7 and 8 per cent of the workforce are outside the open labour market.

Thanks solely to higher exports, Sweden's gross domestic product is expected to show an increase of around 1 per cent this year after the recession years of 1981 and 1982, and the Government is predicting an increase in GDP of 2.8 per cent next year.

The major problems facing the Swedish economy are continuing high inflation—still running at close to 9 per cent on a year-on-year basis—and the large structural deficit in the central government budget, which is keeping Swedish interest rates at high real levels.

KEVIN DONE

W. Germany

THE ECONOMY in West Germany is expected to pick up along a broad front next year, with prospects of growth after inflation of up to 3 per cent, according to the November report of the Bonn Government's five-man council of economic experts.

Unemployment still remains close to the 2m mark but the unemployment statistics do not yet reflect the significant shake out now taking place in industry.

The majority view of the council is that the improvement now under way (1983 real growth: 1 per cent) will gain strength next year, with a pick-up in exports of a real 4 per cent against a 1.5 per cent contraction this year and doubling of capital spending to 8 per cent.

The "five wise men" expect unemployment to drop marginally at an average next year to 2.25m, although monthly levels this winter could be over 2.5m at a time when trades unions are holding for a 35-hour week. Inflation is expected to remain more or less unchanged at 3 per cent.

JAMES BUCHAN

Tim Dickson on the role of small businesses Speeding up the recovery

GOVERNMENTS ALL over Europe are looking to small businesses to speed up economic recovery, exploit new technologies, and make a dent in the universally gloomy unemployment figures.

There is now widespread recognition that small units often represent the most appropriate means of applying new production techniques, and structural change can only be brought about inside large industrial groupings with considerable difficulty and that a thriving economy must have a fertile seedbed of young, entrepreneurial businesses.

While national and local development agencies are always anxious to land the big "green field" project—and continue to spend vast sums of money trying to entice large and medium-sized corporations over from the U.S.—European governments are equally conscious of the need to encourage local firms.

For the big factory can bring home to an economically distressed region at one dramatic stroke but expansionist big companies these days are less common than say 10 years ago.

Competition

At the same time competition for their "favour" is much greater with the rapidly developing economies of Southeast Asia just as keen to get their share of big multinational car plants and other construction projects.

A pattern of small business measures can thus be detected in the major member states of the European economy. Most now have some form of credit guarantee scheme for businesses below a certain size. In the UK they are available through the banking system and underwritten by the Department of Trade and Industry, while in France and West Germany such measures are provided at both central and local government level.

Most countries also provide a host of measures and exemptions through the tax system while many are conscious of the

somewhat different bites out of profits, depending on a company's national base.

The EU took a typical small company in each member state (same turnover, assets, employees, etc. in each case) and found that where pre-tax profits came to £50,000 the company ended up showing a figure below that of sales many times that magnitude in the UK (as a result of the many reliefs) through to a fairly substantial profit in Italy.

Efforts to harmonise legislative and fiscal conditions throughout the European Community is, of course, high on the agenda at the European Commission in Brussels and assuming the Council of Ministers gives the green light it should be announced early next year, possibly 1984.

Although little headway has been made in most fields, except perhaps that of company law, Commission officials argue that small companies setting up in Europe cannot possibly compete with a counterpart in the United States which has a market value of 200m people—if it is effectively restricted to its own relatively narrow national territory.

It is perhaps ironic, however, that the UK and Denmark implement the 4th directive on company law ahead of other member states has caused considerable resentment among small firm lobbyists who argue that the disclosure requirements put UK's small and medium-sized companies at a competitive disadvantage.

Compared with what is available from national governments, the European Community hands out relatively little hard cash direct to small and medium-sized enterprises. The European Social Fund and the European Regional Development Fund generally require an intermediary—either central or local government—to commit an equivalent amount while the Regional Fund quotes in the case mostly go to offset previous spending on national programmes.

The European Investment Bank and the European Coal and Steel Community both offer subsidised loans to small businesses in more depressed regions—they are now marketed by a wide range of intermediaries such as the clearing banks and ICFC in the UK—and the New Community Instrument or Ortal facility (a mechanism set up to help finance investment projects) was last year through to a fairly substantial profit in Italy.

Efforts to harmonise legislative and fiscal conditions throughout the European Community is, of course, high on the agenda at the European Commission in Brussels and assuming the Council of Ministers gives the green light it should be announced early next year, possibly 1984.

Another is the above mentioned divergence in laws and taxes which, added to different currencies and languages, were small companies development in a truly European market.

The recent formation of the European Venture Capital Association—intended among other things to foster cross-border co-operation between venture capitalists—could mark an important step forward.